

U.S.-MEXICO RELATIONS

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BEFORE THE
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THE WESTERN HEMISPHERE
OF THE
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U.S.-MEXICO RELATIONS

WEDNESDAY, APRIL 26, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:57 p.m. in room 2172, Rayburn House Office Building, the Honorable Dan Burton (Chairman of the Subcommittee) presiding.

Mr. BURTON. A quorum being present, the Subcommittee on the Western Hemisphere will come to order. I ask unanimous consent that all Members' and witnesses' written and printed statements be included in the record. Without objection, so ordered. I ask unanimous consent that all articles, exhibits, and extraneous or tabular material referred to by Members or witnesses be included in the record. Without objection, so ordered. And I ask unanimous consent that any Member who may attend today's hearing be considered a Member of the Subcommittee for purposes of receiving testimony and questioning witnesses after Subcommittee Members have been given the opportunity to do so. Without objection, so ordered.

Now, I will get to my opening statement. I want to welcome you folks being here, and I apologize for our tardiness. I do not know if the second panel is here or not, but because of the voting patterns that we are going through today, we are going to ask the second panel to submit their statements for the record, and we will be submitting questions to them for them to answer, but we will not have the time to have the second panel, as we had anticipated. So I really apologize to them, but, unfortunately, the situation just is not conducive to having two panels today.

Today, the Subcommittee on the Western Hemisphere will hear testimony on the current state of relations between the United States and Mexico. In his National Security Strategy for 2006, President Bush urged a deepening of our ties to Mexico if we want to see cooperative policies be extended and carried out through the region of Latin America. He has also repeatedly illustrated how important it is to maintain a good relationship with Mexico, and I could not agree with the President more on this assessment.

Mexico is the gateway to South America, both physically and intellectually, and we need to continue to work with the Government of Mexico if we wish to succeed in promoting growth and stability throughout the region and stemming the rising threats throughout our hemisphere. The border between us and Mexico is 1,980 miles long, and it is absolutely necessary that we have a good working

relationship with the leadership of that country in solving our problems.

Today's geopolitical reality underscores the importance of United States-Mexico relations. With a leftist tide sweeping over much of Latin America, championed by Venezuelan President Hugo Chavez, the United States needs to maintain the friends it has and do what it can to bolster those friendships. While we have enjoyed a great bilateral friendship with Mexico these last several years under President Fox, there are some major policy issues we need to work through.

Border security and immigration are the issues at the top of the list and the concern of many Americans right now, and not coincidentally, they are the most contentious issues between the United States and Mexico. Illegal immigration to the United States from Mexico continues largely because of a stagnant Mexican economy. While President Fox has made strides in improving Mexico's economy since he took office in 2001, job opportunities in Mexico are scarce, and where they do exist, they do not pay as well as many jobs in the United States. This causes many Mexican nationals, in turn, to migrate to the United States where they can work and send remittances back to their families.

A necessary precondition to stem the flow of illegal immigrants to the United States will be to work together with Mexico to better stabilize and strengthen its economy. Trade, since the early nineties, has grown significantly. In fact, it has almost quadrupled from \$81 billion in 1993 to \$292 billion in 2005. The United States is now Mexico's most important trading partner, accounting for over 85 percent of Mexico's exports and 60 percent of Mexico's imports. Conversely, Mexico is the United States' second most important trading partner, with 13 percent of United States exports going to Mexico and 10 percent of imports coming from Mexico. Mexico is the world's fifth-largest crude oil producer, and according to the United States Department of Energy, Mexico ships 88 percent of its oil exports to the United States, ranking it among the top three of our suppliers.

Despite the progress and deepening commercial engagement, there have been bumps in the road with regard to our bilateral trade, and I believe there is room for improvement. With the help of a cooperative administration in Mexico, we can resolve trade disputes and make trade easier and more beneficial for the people of both of our countries.

Last month, our two countries made progress in a longstanding dispute over soft drink beverages and applied adjustments on tariff rate quotas on sugar and high-fructose corn syrup.

The issue of illegal immigration is as important to the Mexican people as it is to Americans. While the strengthening of the Mexican economy will help to solve the problem of illegal immigration, there will still be those seeking work in the United States, and there will be employers inside American who will remain willing to hire them.

President Fox has repeatedly called for enactment of some sort of guest worker program inside the United States, and Congress is now working on that issue, and all options are on the table, but Mexico needs to do its part to help the United States. The drug

trade continues to be a thorn in the side of United States-Mexico relations, and as Congress prepares to solve the worsening crisis of illegal immigration, it is important that Mexican authorities ratchet up counternarcotics law enforcement and aggressively prosecute traffickers and those who aid them.

According to the most recent report from the State Department, Mexico is the primary transit point for cocaine entering the United States from South America and continues to be a main source country for heroin, marijuana, and methamphetamine. Narcotrafficking is fueling the recent rash of violence which thrives in towns located on the United States-Mexico border. I am very concerned about reports of Mexican military personnel, or those posing as Mexican military personnel, illegally crossing the border and, in some instances, providing protective cover for drug smugglers. This has happened in several spots across the Mexican-American border, and it is something that is really raising the ire of the people in those border states as well as across the country.

Equally pressing is the serious rise in the number of assaults on our Border Patrol agents.

The issue of human rights is a major focal point between the two nations as well. The Mexican Government has charged the United States to find a humane solution to the problem of illegal immigration, concerned because of the severe conditions many Mexican citizens have to endure to get across the border illegally. I agree that something needs to be done, but at the same time I remain concerned that human rights in Mexico are deteriorating. Powerful drug cartels are able to exert their influence to intimidate and sometimes injure or kill those who speak out against them.

Mexico serves as a transit point for those trafficking women and children for sexual and labor exploitation, and it is most ironic that Mexico calls for a humane solution to the illegal immigration problem while its own constitution denies immigrants to Mexico, both legal and illegal, the ability to own property, the right to free speech, and equal employment.

While Mexico and the United States might not agree on everything, our relationship remains solidly intact. Five years of working with the administration of Vincente Fox has changed the nature of our relationship from one of antagonism to one of cooperation. After 70 years of poor cooperation between the United States and Mexico, at best, and outright hostility, at worst, this is a most welcome change, and we really appreciate that.

I believe we are on the right path with Mexico, and I look forward to working with the Fox administration in its final stages, and I also look forward to working with Mexico's new President in the interest of continuing our relationship, whomever that may be. It is extremely important, in my opinion, that whoever the next President is of Mexico that we find ways to work with him on all kinds of issues because our border is so long and so porous. It is extremely important that Mexico and the United States work together, and I look forward to working with the next administration. With that, I yield to my colleague, Mr. Engel.

[The prepared statement of Mr. Burton follows:]

PREPARED STATEMENT OF THE HONORABLE DAN BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA, AND CHAIRMAN, SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Today the Subcommittee on the Western Hemisphere will hear testimony on the current state of relations between the United States and Mexico. In his National Security Strategy for 2006, President Bush urged a deepening of our ties to Mexico if we want to see cooperative policies be extended and carried out through the region of Latin America. He has also repeatedly illustrated how important it is to maintain a good relationship with Mexico. I couldn't agree more with the President in his assessment. Mexico is the gateway to South America, both physically and intellectually, and we need to continue to work with the government in Mexico if we wish to succeed in promoting growth and stability throughout the region, and stemming the rising threats throughout our Hemisphere.

Today's geopolitical reality underscores the importance of U.S.-Mexico relations. With a leftist tide sweeping over much of Latin America, championed by Venezuelan President Hugo Chavez, the U.S. needs to maintain the friends it has, and do what it can to bolster those friendships. While we have enjoyed a great bilateral friendship with Mexico these last several years under President Vicente Fox, there are some major policy issues we need to work through.

Border security and immigration are the issues of top concern to many Americans right now, and not coincidentally, they are the most contentious issues between the U.S. and Mexico. Illegal immigration to the United States from Mexico continues largely because of a stagnant Mexican economy. While President Fox has made strides in improving Mexico's economy since he took office in 2001, job opportunities in Mexico are scarce, and where they do exist, they do not pay as well as many jobs in the United States. This causes many Mexican nationals, in turn, to migrate to the U.S., where they can work and send remittances back to their families. A necessary precondition to stem the flow of illegal immigrants into the United States will be to work together with Mexico to better stabilize and strengthen its economy.

Since NAFTA went into effect in 1994, it is indisputable that trade between the U.S. and Mexico has grown significantly. In fact, it has almost quadrupled from \$81 billion in 1993 to \$292 billion in 2005. The U.S. is now Mexico's most important trading partner, accounting for over 85% of Mexico's exports and 60% of Mexico's imports. Conversely, Mexico is the United States' second most important trading partner, with 13% of U.S. exports going to Mexico and 10% of imports coming from Mexico. Mexico is the world's fifth largest crude oil producer, and according to the Department of Energy, Mexico ships 88% of its oil exports to the U.S., ranking it among our top three suppliers.

Despite the progress and deepening commercial engagement, there have been bumps in the road with regard to our bilateral trade, and I believe there is room for improvement. With the help of a cooperative administration in Mexico, we can resolve trade disputes, and make trade easier and more beneficial for the people of both our countries. Last month our two countries made progress in a longstanding dispute over soft drink beverages and applied adjustments on tariff rate quotas on sugar and high fructose corn syrup.

The issue of illegal immigration is as important to the Mexican people as it is to Americans. While the strengthening of the Mexican economy will help to solve the problem of illegal immigration, there will still be those seeking work in the United States, and there will be employers inside America who remain willing to hire them. President Fox has repeatedly called for enactment of some sort of guest-worker program inside the United States, and Congress is now deliberating over various options on the table.

But Mexico needs to do its part to help the United States. The drug trade continues to be a thorn in the side of U.S.-Mexico relations and as Congress prepares to solve the worsening crisis of illegal immigration, it is important that Mexican authorities ratchet-up counter-narcotics law enforcement and aggressively prosecute traffickers and those who aid them. According to the most recent report from the State Department, Mexico is the primary transit point for cocaine entering the U.S. from South America, and continues to be a main source country for heroin, marijuana, and methamphetamine. Narco-trafficking is fueling the recent rash of violence which thrives in towns located on the U.S.-Mexico border. I am very concerned about reports of Mexican military personnel or those posing as Mexican military personnel, illegally crossing the border, and in some instances, providing protective cover for drug smugglers. Equally pressing is the serious rise in the number of assaults on our border patrol agents.

The issue of human rights is a major focal point between our two nations. The Mexican government has charged the U.S. to find a humane solution to the problem

of illegal immigration, concerned because of the severe conditions many Mexican citizens have to endure to get across the border. I agree that something needs to be done, but at the same time, I remain concerned that human rights in Mexico are deteriorating. Powerful drug cartels are able to exert their influence to intimidate, and sometimes injure or kill, those who speak out against them. Mexico serves as a transit point for those trafficking women and children for sexual and labor exploitation. And it is most ironic that Mexico calls for a humane solution to illegal immigration, while its own constitution denies immigrants to Mexico—both legal and illegal—the ability to own property, the right to free speech and equal employment.

While Mexico and the United States might not agree on everything, our relationship remains solidly intact. Five years of working with the administration of Vicente Fox has changed the nature of our relationship from one of antagonism, to one of cooperation. After 70 years of poor cooperation between the U.S. and Mexico—at best—and outright hostility at worst, this is a most welcome change. I believe we are on the right path with Mexico. I look forward to working with the Fox Administration in its final stages, and I also look forward to welcoming Mexico's new President, in the interest of continuing our relationship, whoever that may be.

Mr. ENGEL. Thank you very much, Mr. Chairman. I welcome the opportunity to listen to the testimony today. I think it is very appropriate that we called this Subcommittee hearing on United States-Mexico relations.

With a 2,000-mile common border, the United States and Mexico share concerns that include trade, immigration, agriculture, manufacturing, foreign investment, oil and gas, transportation, communications, the environment, water conservation, and health. We have a record number of Mexican-Americans in the United States. Indeed, United States relations with Mexico are as important and complex as with any other country in the world. Our relationship with Mexico has a direct impact on the lives and livelihoods of many Americans, an impact, whether the issue is trade and economic reform, homeland security, drug control, migration, or the promotion of democracy, labor protections, and the environment.

The United States and Mexico, of course, are partners in NAFTA and enjoy a rapidly developing trade relationship, but we must not lose sight that our relationship is about our people, the millions who live along our shared border, the millions of Mexicans who have come to the United States, and the millions of citizens of both of our countries who benefit from our ties to our neighbor to the south. A strong partnership with Mexico is critical to combatting terrorism, addressing the illegal immigration flows, and controlling the flow of illicit drugs into the United States. Immigration, primary for Mexico, both legal and illegal, has to be addressed by this and future Congresses, and a stable, democratic, and economically prosperous Mexico is fundamental to our mutual interests.

When President Bush first took office in 2001, the United States and Mexico envisioned the fulfillment of long-sought-after goals. Mexican President Fox had just toppled Mexico's 71-year-old, semi-autocratic, political structure. His policies appeared consistent with President Bush's ideals, and a quick personal relationship, friendship, developed between the two leaders. Moreover, as a former governor of Texas, the President had a particular interest in Mexico. Indeed, President Bush's first state visit was to welcome President Fox, and immigration reform became a priority for President Bush's first year in office.

However, after September 11, our priorities changed. Our post-9/11 fight against international terrorism and the war in Iraq took the focus off expanding our relationship with Mexico and, for that

matter, the Western Hemisphere region as a whole. Indeed, there is a growing recognition that we must now play catch up to preserve and restore relations with our neighbors to the south. We also know that China and other countries are attempting to engage in Central and South America, which is not exactly in our best interests, so we need to redouble our efforts to have good relations with Latin America, and it makes sense to start with Mexico.

It is within this context that we discuss Mexico. Ongoing debates about immigration only highlight the nation's importance to us. Now that there is clearly renewed momentum to address many of our shared interests with Mexico, I welcome the opportunity to explore the state of our current relationship. Given the possibility for significant political change after the July 2006 Presidential and legislative elections, I also look forward to hearing how our relationship might evolve and how new Mexican leadership might impact developments within the country and region.

We all know that the United States-Mexican agenda is an ambitious and challenging one—migration, border security, drugs, trade, investment, energy, and economic development—but I believe it is achievable, and our success or failure to get it right will have a direct bearing on the prosperity of both the United States and Mexico, especially in border communities whose lives, security, and economic well-being are inextricably linked.

The United States-Mexico bilateral relationship is also an important cornerstone in fashioning a successful partnership with countries throughout the Americas. It is vital that we work on our relationship until we get it right.

So I thank you, Mr. Chairman. I look forward to working with you on a successful policy toward Mexico and in hearing the testimony today.

Mr. BURTON. Thank you, Mr. Engel. I should have introduced you as the Ranking Democrat on the Committee, and I apologize for that error. You are a good man.

Mr. ENGEL. No apology needed, Mr. Chairman.

Mr. BURTON. Now, we have an expectant father, the Vice Chairman of the Committee, Mr. Weller.

Mr. WELLER. Thank you, Mr. Chairman. I commend you for your leadership in conducting this hearing on the very important relationship between the United States and Mexico, and, like you, I regret that time is not going to allow us to hear testimony from our two panelists on the second panel. I want to extend a personal invitation to Steve Johnson with the Heritage Foundation and Bob Pastor with the Center for North American Studies at American further to come on by my office. I welcome the opportunity to talk directly with you about our United States-Mexico relationship and hear your thoughts. So please come by. The door is open.

The United States-Mexico relationship is both deep and dynamic. Our geographical and economic ties make our relationship that much more important. Today, we have significant challenges in our relationship with Mexico and between Mexico and the United States where both of our countries need to work together effectively as partners. Internal security and narcotrafficking are serious problems, fueling violence internally in Mexico, especially along the United States-Mexico border. Comparatively wealthy to Mexico's

Latin American neighbors, Mexico still has serious problems with job creation and elimination of poverty. Border incursions in the United States also continue to be a concern, and, of course, immigration and border security, preventing terrorist access to our countries continue to be issues that we must work to both address and strengthen our partnership.

But to simply focus on these issues ignores the positive direction Mexico has taken in important areas. Mexico has solidified its democracy and is preparing for free and fair elections in July of this year. We should commend Mexico for their commitment to democracy. President Fox's election changed the one party rule of Mexico, and his leadership has strengthened democratic institutions, and there should be no doubt that the United States will actively work to partner with the next democratically elected President of Mexico.

Mexico is also a key trading partner with the United States. Mexico is our second-largest trading partner, due in no small part to the North American Free Trade Agreement. NAFTA has meant greater access to Mexican markets for the United States, my home State of Illinois, and corresponding growth in our export markets, but it has also meant new development, economic growth, and job creation in our friend, Mexico. NAFTA works, and it has been good for the United States, Canada, and Mexico.

Finally, Mexico has recognized the country's fundamental need to address their immigration issues. In a resolution passed unanimously by the Mexican Congress earlier this year, known as the "Mexico Immigration Phenomenon," Mexico makes a public commitment to address their responsibility for immigration to the United States. While this paper alone does not solve the enormous problem that both of our countries are facing, Mexico's loss of its own workforce and the United States contending with millions of undocumented and illegal workers and an unsecured border, it is also an important recognition of their responsibility on the immigration issue.

People of the United States and Mexico have a long and important relationship. Our Governments must continue to find ways to work together in partnership to address the mutual challenges both of our countries face, including narcotrafficking, terrorism, economic growth, and security for both of our countries.

Mr. Chairman, thank you again for this opportunity to make a statement, and I look forward to the testimony of our witnesses.

Mr. BURTON. Thank you, Mr. Weller, and, again, congratulations on the addition to your family.

Do you have an opening statement?

Mr. DELAHUNT. No, I do not, but I want to echo your congratulations to the Vice Chairman of the Committee. I would just note that both Congressman Weller and myself recently attended an interparliamentary conference between Mexico and the United States. I thought it was a very positive experience.

I do believe that the Mexican Government, or at least the Mexican Congress, has spent considerable time on the issue of immigration, these issues, and, I believe, has taken a very thoughtful, measured understanding of the complexity. They have come in with, I think, some very challenging proposals for us, and I think

that good people with good intentions can make good things happen. With that, I yield back.

Mr. BURTON. Mr. Mack?

Mr. MACK. Thank you, Mr. Chairman. I guess I also want to congratulate Congressman Weller to the new addition. I did not want to be the only one not to congratulate you. That would be bad form. And I also want to thank the panel for being here and the Chairman for this hearing, and just to be very brief, I know that on the people's minds there is the issue of immigration.

I also—Mr. Chairman, you mentioned it in your opening statement—am concerned with who may be the next President in Mexico and really see this as an opportunity for democracy to continue to grow or potentially move toward the Hugo Chavez model. And so I would be interested to hear, later on, the members of the panel and their thoughts when it comes to the influence of Hugo Chavez and how that might relate in Mexico and the election in July. I just hope that we will end up with a President of Mexico who wants to continue to the relationship with the United States, who wants to continue to try to raise the freedom flag and allow the citizens of Mexico to enjoy the freedoms that they have. Thank you.

Mr. BURTON. Thank you very much.

We now will turn to our first panel, and that panel consists Elizabeth A. Whitaker, and she has served as deputy assistant secretary for Mexico, Canada, and Public Diplomacy in the Bureau of Western Hemisphere Affairs at the Department of State since September 2005. She has served in Costa Rica, Honduras, and Nicaragua and joined the Foreign Service in 1982 as a public diplomacy officer with the U.S. Information Agency.

John Melle serves as the deputy assistant trade representative for North America, Office of the Trade Representative. His responsibilities included oversight of the North America Free Trade Agreement and bilateral trade issues with Canada and Mexico. Mr. Melle has worked on North American trade issues in various capacities since 1993, most recently having the responsibility for bilateral Canada issues in 2002, and he joined USTR in 1987.

Audrey Adams is deputy assistant commissioner in the Office of International Affairs, U.S. Customs and Border Protection in the U.S. Department of Homeland Security. She brings over 30 years of customs and border-protection experience to her position. She has served in a variety of key leadership positions in Laredo, Los Angeles, and Washington, DC.

Would you please rise so I can have you sworn in?

[Witnesses sworn.]

Mr. BURTON. We will start with Ms. Whitaker. Do you have an opening statement?

TESTIMONY OF MS. ELIZABETH A. WHITAKER, DEPUTY ASSISTANT SECRETARY FOR MEXICO, CANADA, AND PUBLIC DIPLOMACY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. WHITAKER. Thank you, Mr. Chairman. Is it permissible for the panel to congratulate Mr. Weller as well?

Mr. BURTON. No, I am sorry.

Ms. WHITAKER. I retract that.

Mr. Chairman, Members of the Subcommittee, it is a privilege and honor to meet with you today to discuss the broad range of our relations with Mexico, as many of you stated so eloquently already. We appreciate and share your interest in and support for a wide-ranging, dynamic, and productive relationship with our neighbor to the south, or the gateway to South America, as you said.

In addition to the ties of shared history and geography that bind Mexico to the United States, Mexico is our second-largest trading partner and our third-largest source of imported petroleum. Our nearly 2,000-mile border is one of the busiest in the world in terms of commercial exchange and the flow of people. Our relationship is centered on our common values and interests, and that allows us to work in close cooperation on the many issues that affect the well-being of our citizens.

Recent years have seen an unprecedented level of bilateral cooperation. We are partners on issues ranging from democracy, trade, counterterrorism, law enforcement, the environment, energy, and transportation, some issues surely more challenging than others. We share a commitment to democracy, human rights, and free markets in the pursuit of security and prosperity for our people. That shared commitment also makes us natural partners on the world stage.

It is no exaggeration to say that our relations with Mexico, under the leadership of President Vincente Fox, have been better than with any previous Mexican Government. Under President Fox's leadership, Mexico has strengthened democracy at home by re-enforcing its political and legal institutions, introducing unprecedented transparency and accountability in government institutions, and improving respect for human rights. Mexico has stood up for democracy in the hemisphere and in multilateral institutions such as the Organization of American States and the United Nations. Mexico's next President will inherit a country that is more democratic, more prosperous, and more economically stable than it has been in history.

I mentioned Mexico's next President. Indeed, President Fox is in the last months of his administration. Mexico will hold Presidential and congressional elections on July 2. There is widespread speculation about who Mexico's next President will be and whether our bilateral relationship will change. I think it is important to state here that the Mexican people and their electoral institutions have shown their democratic conviction. I have no doubt that the Mexican people will speak clearly this July. We await with great interest, as do you and the Mexican people, the results of those elections, but have no doubt that we will be able to work cooperatively with whoever is elected on our long-established, shared agenda.

The advances that we have seen in our ties with Mexico were reflected in two recent, high-level meetings. The 22nd U.S.-Mexico Binational Commission meeting, which Secretary Rice and her Mexican counterpart, Secretary Derbez, hosted in Washington on March 24, underscored the cooperative efforts over the entire range of our relations. These included the safety and security of our common border, bilateral law enforcement efforts, returning criminal fugitives to justice across the border in both directions, as well as cooperative programs and good governance, environmental protec-

tion, and the regional energy integration effort that Mexico is exploring with Central America.

Our relations with Mexico are increasingly linked with Canada, as we all share a continued commitment to enhance the security, prosperity, and quality of life of our citizens within North America. The Security and Prosperity Partnership of North America, or SPP, provides a framework for us to advance collaboration in areas as diverse as security, transportation, the environment, and public health. In June 2005, the three governments published an ambitious agenda for collaboration.

The SPP recently celebrated its first anniversary just last month at a meeting in Cancun, Mexico, among President George W. Bush, President Vicente Fox of Mexico, and Prime Minister Harper of Canada. The leaders reviewed the progress made on the SPP agenda and directed their ministers to continue to move forward on the agenda. The leaders also agreed on initiatives to strengthen competitiveness in North America, cooperate on managing the threat of Avian and pandemic influenza, collaborate on energy security, work toward smart and secure borders, and develop a common approach to natural and man-made disasters.

We three countries set the cornerstone of this North American community 12 years ago by deciding to create NAFTA. Since that treaty went into effect in 1994, trade between Mexico and the United States has almost quadrupled, and direct investment by the United States in Mexico and by Mexico in the United States has flourished.

We are committed to ensuring the secure flow of goods and people across our shared border. It is a tough challenge. We have worked closely with Mexico to create institutions and infrastructure to enhance border security while making border transit easier and quicker. I know my colleague from DHS will discuss that.

While we have had good cooperation from our Mexican partners for the past several years, there are still challenges before us. We see increased crime and violence, largely due to the activities of narco-trafficking organizations. The Mexican Government has made a sincere effort to attack the problem of border violence and border security on its side, for example, by sending in military and Federal police forces to take temporary control over security and to purge and revamp local police forces in areas where violence is acute, such as Nuevo Laredo.

We are continually extending linkages among our law enforcement agencies along the border deep into the operational level to be able to mount coordinated responses to breaking security events.

The United States and Mexico have also decided to work together on addressing historic inadequacies of the Mexican justice system. We are helping Mexico reform its systems of law enforcement and criminal justice by providing training to Mexican law enforcement officials, and we are supporting a major revision of criminal procedure laws in six Mexican states that will replace the old, inquisitorial system with an oral, adversarial justice system more in keeping with the requirements of modern society. This work at the state level is very important, as these subnational units recognize that such reforms will provide swifter, more equitable justice for all, as well as a more attractive market for investors and businesspeople.

At the end of the day, though, these are Mexican decisions, and we do not pretend to have all of the answers, but if we can help, and the Mexicans want it, we are there for them.

Drug trafficking remains a significant challenge for our two nations, but we are making progress. The cooperation in counter-narcotics and law enforcement that we have seen from Mexican authorities under President Fox has improved dramatically. Mexico has worked hard to improve law enforcement capability and root out corruption. Extraditions of criminals from Mexico to the United States have risen in number annually, including high-profile cop killers and fugitives, and a November 2005 Mexican Supreme Court decision will facilitate the extradition of criminals facing life sentences in the United States.

Mr. BURTON. Excuse me, Ms. Whitaker. Are you about finished with your statement?

Ms. WHITAKER. Yes, sir, I am.

Mr. BURTON. Okay. Thank you.

Ms. WHITAKER. Certainly, the immigration issue looms large in Mexico and the United States. The Government, as was stated previous, of Mexico recognizes its shared responsibility for security along the border. Understandably, the Mexicans are following with great interest the reform debate here in the United States, and for our part, we reiterate to our interlocutors President Bush's unequivocal support for a comprehensive bill and explain that this issue is now before the U.S. Congress for a decision.

Mr. Chairman, that concludes my remarks. Thank you.

[The prepared statement of Ms. Whitaker follows:]

PREPARED STATEMENT OF MS. ELIZABETH A. WHITAKER, DEPUTY ASSISTANT SECRETARY FOR MEXICO, CANADA, AND PUBLIC DIPLOMACY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman, members of the Subcommittee, thank you for the opportunity to meet with you today to discuss our relations with Mexico. Despite some perceptions to the contrary, the real story of the United States and Mexico is marked by excellent relations and bilateral cooperation in the pursuit of a shared security and prosperity.

Mexico is a country with enormous and growing strategic significance for the United States. Mexico is our second largest trading partner and our third largest source of imported petroleum. Our border is one of the busiest in the world in terms of commercial exchange and personal traffic. Our economies and trade, public health, the environment, law enforcement and national security are intertwined to a degree few of us realize. Our peoples and governments now share a commitment to democratic values that has helped make Mexico a partner in the hemisphere.

The first foreign leader President Bush met with after assuming office was President Fox of Mexico. Through the fundamental changes the world has gone through since then, Presidents Bush and Fox have continued to meet frequently, most recently last month in Cancun, along with Canadian Prime Minister Harper, in the framework of the trilateral Security and Prosperity Partnership. Security and prosperity are the watchwords of our relations with Mexico. These two objectives are increasingly a shared agenda for all three partners in North America.

Our relationship is entering the final year of President Fox's administration. His government has been a valued partner of the United States. We have had better relations with Mexico under his administration than under any previous Mexican government. This is in no small part due to President Fox's own democratic convictions. His election to the Presidency in 2000 marked the end of more than 70 years of one-party rule in Mexico. Under his leadership, we have seen the strengthening of Mexico's political and law enforcement institutions, the introduction of unprecedented transparency and accountability in government institutions, and improved respect for human rights. His administration has pursued sound economic policies

that have brought economic stability, a stable currency, low inflation, increased employment, an expanded middle class, and special help for the most disadvantaged.

In the Hemisphere, we share with Mexico a vision governed by the values of liberty, open markets, free trade, and strong institutions guaranteeing these values. I know you will recall how President Fox, at the Summit of the Americas, courageously defended free trade in the Americas. The Government of Mexico has also stood up for democratic values in multilateral institutions such as the OAS and the UN. President Fox will bequeath to his successor a Mexico that is more democratic, more prosperous, and more economically stable than the Mexico of the past.

Mexico will hold presidential and congressional elections July 2, and there is much interest in who Mexico's next president will be and whether our bilateral relations will change. We have full confidence in the ability of Mexico's electoral institutions to conduct free and fair elections. These institutions have an established track record going back to the monumental presidential election of 2000 and earlier. As to the campaign and on the outcome of the election itself, we are taking a neutral posture. We have no doubt we will be able to work cooperatively with the next Mexican president—whoever that may be—on our long-established shared agenda.

The advances we have seen in our ties with Mexico were reflected in two recent high level meetings. The twenty-second U.S.-Mexico Binational Commission meeting is an annual meeting at cabinet secretary level chaired by the Secretary of State and the Mexican Secretary of Foreign Relations, and is held alternately in each capital. The Binational Commission that Secretary Rice and her Mexican counterpart, Secretary Derbez, hosted in Washington March 24, underscored cooperative efforts over the entire range of our relations. That meeting renewed our joint commitment to ensure the safety and security of our common border, reconfirmed bilateral law enforcement efforts, especially along the border, and our efforts to return criminal fugitives to justice across the border in both directions. The Binational Commission reaffirmed commitments to a series of cooperative programs in good governance, environmental protection, and the regional energy integration effort that Mexico has initiated in Central America. The Binational Commission meeting sends a strong signal that the U.S.—Mexico partnership that inspired NAFTA continues to deepen our economic integration, strengthen the security of our citizens, and provide a model of freedom and opportunity for the Hemisphere and the world.

Our relations with Mexico are increasingly linked with Canada, as we all share a continued commitment to enhance the security, prosperity, and quality of life of our citizens within North America. The Security and Prosperity Partnership of North America, or SPP, provides a framework for us to advance collaboration in areas as diverse as security, transportation, the environment and public health. This Partnership has increased our institutional contacts to respond to our vision of a stronger, more secure, and more prosperous region. In June 2005, the three governments published an ambitious agenda for collaboration. The SPP celebrated its first anniversary last month, at the meeting in Cancun. The leaders reviewed the progress made on the SPP agenda, and directed their minister to move forward on the agenda. The leaders also agreed on initiatives to strengthen competitiveness in North America, cooperate on managing the threat of avian and pandemic influenza, collaborate on energy security, develop a common approach to natural and manmade disasters, and work toward smart and secure borders. Together, these steps aim to coordinate approaches to sharpening the competitiveness that our countries' economies depend upon, and addressing security vulnerabilities that could threaten that prosperity.

In that same trilateral framework, free trade in North America anchored in NAFTA remains the foundation of our shared prosperity. Since that treaty went into effect in 1994, trade between the United States and Mexico has almost quadrupled from \$81 billion in 1993 to \$292 billion in 2005. Reforms that Mexico enacted for NAFTA are a key reason why Mexico weathered the financial turmoil that affected many developing countries in the late 1990s. NAFTA has also provided the stability needed for investment in Mexico. Foreign direct investment in Mexico from 1994–2005 exceeded \$100 billion, 62 percent of which came from the United States. That represents a more than fifty-fold increase over the span of the treaty thus far. Over 2,600 U.S. firms have an important presence in Mexico. One such company, Walmart, is the second largest private sector employer in the country, with more than 112,000 Mexican employees on its payroll. By consolidating Mexico's economic reforms into an international agreement, NAFTA is helping Mexico build a stable, efficient and predictable economic system that is the foundation for sustained growth and broad-based prosperity.

Facilitating the secure flow of goods and people across our shared border is one of the greatest challenges before us today. We have worked closely with Mexico to create institutions and infrastructure to enhance border security while making bor-

der transit easier and quicker. The U.S.-Mexico Border Partnership, established by agreement of Presidents Bush and Fox in 2002 and now largely incorporated into the SPP, continues to pursue the three-fold goals of a secure transborder infrastructure while also facilitating the efficient flow of goods and people. That program has established SENTRI lanes (Secure Electronic Network for Rapid Travelers Inspection) at six ports of entry to ensure expedited crossings for identified low risk travelers. A similar program of FAST lanes (Free and Secure Trade) for cargo shipments provides expedited border crossing for cargo from participating companies who have demonstrated that their facilities are secure and their shipments low-risk. It is clear that with more than 1 million legal crossings every day on our southern border, more must be done to make those crossings swifter and safer, and we are committed to doing even more to achieve that goal.

The Mexican Government works closely with the United States on all aspects of counterterrorism security and prevention. In particular, Mexico has been very helpful flagging, monitoring and controlling flights to or over the United States that may have raised terrorism concerns.

A National Security Law that took effect in Mexico in January 2005 established a National Security Council to improve military, intelligence, immigration and civilian law enforcement cooperation on security issues, including terrorism. The law also established a National Security Commission in the congress. Legislation criminalizing the financing of terrorist organizations awaits conclusive action in the legislature in 2006.

While we have had very good cooperation from our Mexican partners for the past several years in many areas, there are still many challenges. These issues have deep roots and go back many years. Many of them stem from the fact that such a long and busy border inevitably becomes the focus not only of legitimate trade and tourism but also of crime and lawbreaking.

Our border region, particularly on the Mexican side, has also been the scene of increased crime and violence, largely due to the activities of narco-trafficking organizations. These criminal groups are reacting to increased law enforcement pressure and arrests from the United States and Mexico. DHS, which has overall responsibility for patrolling and securing our border, can provide the details of the border security situation. However, the Mexican government has made a sincere effort to attack this problem on its side, for example, by sending in military and federal police forces to take temporary control over security and to purge and revamp local police forces in areas where the violence is acute, such as Nuevo Laredo. We are continually extending linkages among our law enforcement agencies along the border deep into the operational level to be able to mount coordinated responses to breaking security events. The latest such effort was the Action Plan signed by Homeland Security Secretary Chertoff with his Mexican counterpart on March 3 in Brownsville, Texas, an agreement that will establish operational protocols to govern coordinated law enforcement action to address security incidents along the border.

The Committee is no doubt aware that unauthorized border incursions have occurred recently and in the past. Most cases of unauthorized border crossings by Mexican or U.S. officials are resolved on the ground at the working level, and are determined to be inadvertent. It is rare that a cross-border incident requires diplomatic intervention by the Department of State. Such an occasion occurred last January, when initial reports indicated that persons dressed in military uniforms crossed the border with Texas to protect a drug shipment, and quickly fled back into Mexico when confronted by local law enforcement. We made an official inquiry with the Government of Mexico via a diplomatic note. The Government replied by informing us that the participants in the January 23 incursion were not members of the Mexican military but known drug traffickers, for whom arrest warrants have been issued, and that an investigation is continuing. Most incursions of this type are not the work of current officials but of criminal organizations smuggling narcotics or people. In this connection, I would also commend the officers of the U.S. Border Patrol for the difficult work they accomplish in protecting the border area and U.S. citizens, often in very dangerous circumstances when confronted by armed and dangerous criminals.

The United States is also committed to assisting in the professionalization of law enforcement and reform of the criminal justice system in Mexico. Last fiscal year, over 2,800 police investigative personnel and prosecutors at the state and federal level were provided specialized training organized by Embassy Mexico City's Narcotics Affairs section. Eight hundred twenty-seven (827) police investigative personnel and prosecutors have received this specialized training so far this fiscal year. Courses have included ethics in government, management and supervision, criminal investigations, white collar crime investigations, anti-corruption, interviewing techniques, and "train the trainer" courses. The training has become more specialized

as our Embassy begins more “train the trainer” programs for more Mexican Police Academy instructors.

USAID is also providing assistance in revamping the criminal justice system in six Mexican states, replacing the old inquisitorial system based on written procedure with an oral, adversarial system more in keeping with democratic practice and a modern society. We are gratified that a number of Mexican states are clamoring for such reform, recognizing that it will provide more swift and equitable justice for all, as well as a more level playing field for investors and businesspeople, thereby stimulating economic development. However, that assistance program will be curtailed this year due to the Foreign Operations, Export Financing, and Related Programs Appropriations Act for FY '05 and '06 (the “Nethercutt amendment”) that prohibits the use of Fiscal Year 2006 Economic Support Funds for assistance to the government of a country that is party to the Rome Statute and has not entered into a bilateral Article 98 agreement with the United States. Mexico became a member of the International Criminal Court (ICC) in October of last year, and has told us it will not enter into an Article 98 agreement. Additionally, Mexico’s accession to the ICC absent an Article 98 agreement subjects Mexico to the American Servicemembers’ Protection Act (ASPA) of 2002, which prohibits certain forms of military assistance—International Military Education and Training Program (IMET), Foreign Military Financing (FMF), and grant Excess Defense Articles (EDA)—to countries that are parties to the Rome Statute. As a result of ASPA restrictions on security assistance, we have halted IMET assistance to Mexico’s military.

Drug trafficking remains a significant challenge for our two nations, but we are making progress. Mexico remains the source and transit zone for the great bulk of narcotics feeding the drug markets of the United States. The cooperation in counter-narcotics and law enforcement from Mexican authorities under President Fox has been unprecedented. From destruction of drug crops to confiscation of drug shipments to disruption of narco-trafficking organizations to hardened border security, Mexico has worked seriously and closely with U.S. authorities to attack the drug problem. To impress upon his government and the Mexican public the seriousness of the problem, President Fox frequently has declared that Mexico is “at war” with narcotics traffickers. He has also worked hard to improve law enforcement capability and capacity and to root out corruption, including by having thousands of Mexican officials at the federal and state level receive training from U.S. authorities. He has increased the number of criminal suspects, including Mexican nationals, extradited to the U.S. to record levels. Mexico’s Supreme Court this year eliminated a legal impediment to the extradition of persons to the U.S. who face the possibility of being sentenced to imprisonment for life without parole. And last year, Mexico instituted controls on imports and purchases of precursor chemicals for the production of methamphetamine, a growing menace in the United States.

Yet despite these efforts, we must acknowledge that flows of narcotics from Mexico to the United States continue at a high level. Without these efforts, to be sure, drug flows would have been far greater, but the fact remains that we have a lot of work left to do. In the administration of President Fox, we have a committed partner. The effectiveness of our work with Mexico in recent years has extended our law enforcement ties with Mexico down to the working level at the border, ties that we trust will continue into the next Mexican administration.

There is also the issue of trafficking in persons to the United States through and from Mexico for purposes of sexual and labor exploitation. This has long been a serious problem, but one that Mexico has acknowledged and is working with us to address. Over the last year, Mexico entered into an agreement with USAID and Mexican NGOs that included areas such as protection of victims, and began a program with the Department of Justice to partner with Mexican law enforcement authorities on building capacity for investigations and prosecutions. Mexico has made some progress but has much work to do, including passing a specific trafficking law and prosecuting human traffickers more aggressively.

The topic of immigration looms large in both Mexico and in the United States. The Government of Mexico recognizes, as President Fox said in Cancun, that it shares responsibility for security along the border as an element of the overall migration picture. We at the Department of State follow the immigration reform debate with great interest, and have reiterated to our Mexican interlocutors President Bush’s unequivocal support for a comprehensive bill. We also explain to our foreign audiences that this issue is now before the U.S. Congress for legislative action.

In conclusion, I would emphasize how far we have moved ahead with Mexico since the implementation of NAFTA, especially under the Fox administration. We will focus on continuing that progress under the next Mexican administration, which will take office December 2. The issues that both of our countries can address effec-

tively only with the help of the other are vital. They make it imperative that the United States continue to engage Mexico intensively in issues of trade, immigration, law enforcement including border security, and democracy in the hemisphere. We will continue to do this bilaterally and in the North American context with Canada. Our economic prosperity and national security will continue to depend on this.

Mr. BURTON. Thank you very much, Ms. Whitaker.
Mr. Melle?

**TESTIMONY OF MR. JOHN M. MELLE, DEPUTY ASSISTANT
TRADE REPRESENTATIVE FOR NORTH AMERICA, OFFICE OF
THE UNITED STATES TRADE REPRESENTATIVE**

Mr. MELLE. Thank you, Mr. Chairman and Members of the Subcommittee, for this opportunity to appear before you today. I am pleased to represent the Office of the United States Trade Representative and provide an overview of our trade and investment relationship with Mexico. Of course, that relationship has been defined by the North American Free Trade Agreement since January 1994 when it went into effect. Twelve years after implementation, essentially all of the agreement's transitional periods are now complete with the exception of a handful of tariffs that fall to zero on January 1, 2008.

In evaluating the impact of NAFTA on both the United States and Mexico, the appropriate place to start is with trade and investment flows. As has already been mentioned today, the goods trade with Mexico has grown—I am a more conservative estimator in saying over three and a half times since the NAFTA began. More importantly or significantly, this is double the rate of growth in trade between the United States and the rest of the world over that same period. Mexico passed Japan to become our second-largest trading partner after the NAFTA was passed and now trails only our other NAFTA partner, Canada.

Much of the recent concern about United States-Mexico trade has focused on agriculture. In fact, agricultural trade has been remarkably balanced since 1993, with United States exports to Mexico increasing by \$5.7 billion, and our imports from Mexico increasing by \$5.6 billion, both setting records in 2005. Numerous studies have documented that the NAFTA is not the cause of the challenges that are being faced by some parts of Mexican agriculture today, and for the United States, agriculture is the source of many of the most impressive successes of the NAFTA.

Mexico is the largest United States market for a wide range of products, including beef, dairy, rice, swine, turkey, apples, and dried beans. For most of these products, not only do we have our success in exporting to Mexico; our share of Mexico's imports of those products is above 90 percent due in large part to the preferential access we have under the NAFTA.

As a result of the NAFTA, we already have something very close to free trade in goods with Mexico. The average duty the United States now charges on Mexico has fallen to $\frac{1}{10}$ of 1 percent in 2005. Mexico's duties on United States goods are even smaller: Three-thousandths of 1 percent, also in 2005.

We have seen similar trade trends in services, which has grown bilaterally 76 percent since 1993. Foreign direct investment has also increased in all directions since 1993. The United States and

Mexico are investing more in each other's economies, and the rest of the world is also investing more in our economies.

This change is especially important for Mexico. Since 1994, foreign direct investment inflows have averaged \$15 billion, compared to less than \$3 billion in the 1980s. But investment growth in Mexico has not come at United States expense. Even excluding housing, U.S. business investment has risen 104 percent since 1993, compared to a 37 percent rise between 1981 and 1993.

The NAFTA is not the only trade agreement that has expanded United States-Mexico trade. Through the World Trade Organization, we have increased competition in Mexico's telecom market, conducted primarily by United States-affiliated companies. Following a recent win in the WTO, the wholesale cost of calling Mexico fell from 19 cents a minute in 2003 to under 5 cents a minute today. As a result, cross-border telephone traffic has almost doubled, to 12.5 billion minutes in 2004, saving U.S. consumers hundreds of millions of dollars.

How much the NAFTA has affected broader economic trends cannot be measured precisely. However, there is a wide range of economic indicators that have grown more rapidly since the NAFTA was implemented. For the United States, job creation, industrial production, real compensation for manufacturing workers, business productivity and investment have all increased by higher rates since 1993 compared with prior years.

In Mexico, we have seen consistent GDP growth, a 40 percent increase since 1993, and annual real wage growth since 1995. This has been accompanied by a number of other indicators of more stable economic growth, such as lower interest rates, and that has led in part to a boom in consumer lending and home purchases.

In the case of Mexico, firms that export have created more than half of the new jobs in Mexico since 1995, and those jobs, on average, pay 40 percent more than jobs in Mexican firms that do not export.

To address the challenges in the United States-Mexico trade relationship today and for the future, there are three circumstances to consider.

The first, as I mentioned, is complete implementation of the NAFTA on January 1, 2008. This consists of less than 1 percent of our remaining trade, but final removal of these duties has raised concern in some sectors. We have made a commitment to all three NAFTA trade ministers to the full implementation of the NAFTA, and the United States' policy is not to consider any reduction in our NAFTA obligations.

The second set of challenges must take into account the changes in global trade since the NAFTA entered into force. In 1993, for example, the average United States tariff on imports from all other countries in the world was 3.2 percent. By 2005, it had fallen to 1.4 percent. That means Mexico faces more competition in our market, and we face more competition in Mexico's market as the number of countries with which it has other free trade agreements has increased from one to 42 today.

The third set of challenges concerns security and the issue of addressing security concerns without creating unnecessary barriers at

the border, and we have Homeland Security to address those questions today.

To briefly describe what we are doing to meet these challenges, we had a NAFTA ministerial meeting, also on March 24, in Mexico, and, of course, the leaders met the next week in Cancun. Trade ministers have agreed to launch a review of the NAFTA, and this review will identify more ambitious disciplines in our more recent regional FTAs that could be candidates for incorporation into the NAFTA, and we will also work to identify additional trade barriers that could be removed and to explore how the NAFTA countries can work together to respond to current challenges we face in the global economy.

Mr. BURTON. Mr. Melle, could you sum up in just a few minutes?

Mr. MELLE. I can.

Mr. BURTON. Thank you.

Mr. MELLE. As Ms. Whitaker mentioned, the SPP process; the USTR participates in that, and we have a NAFTA exercise related to rules of origin that will reduce transaction costs, and so we contribute to the integration of those efforts.

To conclude, with the NAFTA firmly in place, the United States and Mexico have not only become better customers for each other but better neighbors, more committed partners, and effective colleagues in a wide range of trade-related, international organizations.

I would be pleased to answer any questions that the Subcommittee may have.

[The prepared statement of Mr. Melle follows:]

PREPARED STATEMENT OF MR. JOHN M. MELLE, DEPUTY ASSISTANT TRADE REPRESENTATIVE FOR NORTH AMERICA, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Mr. Chairman, Members of the Subcommittee on the Western Hemisphere:

Thank you for the opportunity to appear before the Subcommittee today. I am pleased to represent the Office of the United States Trade Representative and provide an overview of our trade and investment relationship with Mexico.

Our commercial relationship with Mexico is defined by the North American Free Trade Agreement, the NAFTA, which has been in force since January 1, 1994. The NAFTA is a comprehensive trade agreement, covering trade in goods, services and investment, as well as government procurement, intellectual property rights, standards, and dispute settlement. Twelve years after implementation of the NAFTA began, essentially all of the agreement's transitional implementation periods are now complete with the exception of a handful of tariffs that fall to zero on January 1, 2008.

In evaluating the impact of the NAFTA on both the United States and Mexico, the appropriate place to start is with trade and investment flows.

- For goods, trade with Mexico has increased over three-and-one half times the pre-NAFTA levels; this increase is nearly double the increase in trade between the United States and the rest of the world.¹ Mexico has passed Japan to become our second largest trading partner and export market, trailing only Canada.
- There has also been a qualitative transformation in goods trade; in the 1980s, 80 percent of Mexico's exports were oil and raw materials. Today, value-added manufactured goods account for 90 percent of Mexico's exports.
- Much of the recent concern about U.S.-Mexico trade is with agriculture. In fact, agricultural trade has been remarkably balanced since 1993, with U.S. exports to Mexico increasing by \$5.7 billion, and our imports from Mexico increasing by \$5.6 billion, setting 2005 records in each direction. Numerous

¹256 percent vs. 137 percent for 1993–2005. Source: World Trade Atlas, U.S. Census.

studies, completed both by the Mexican government and independent researchers, have documented that the NAFTA is not the cause of the challenges faced by parts of Mexican agriculture.

- Many of the most impressive export successes for the United States are also agricultural. Mexico is our largest market for a wide range of products—beef, dairy, swine, rice, turkey, apples, and dry beans among them. Our share of Mexico's imports is above 90 percent, due in part to the preferential access we have under the NAFTA for five of these seven products.

As a result of the NAFTA, we are already very close to free trade in goods with Mexico, with the average U.S. duty on Mexico falling to about 0.1 percent in 2005. Mexico's duties on U.S. goods are even smaller—0.003%.

We see similar trends for bilateral services trade, which has increased 76 percent since 1993. Since 1993, Mexico has also liberalized its banking sector, where the United States has a large presence.

Foreign Direct Investment (FDI) has also increased in all directions since 1993—the United States and Mexico are investing more in each others' economies, and the rest of the world is also investing more in our economies.

- This change is especially important for Mexico. Since 1994, annual FDI inflows have averaged \$15 billion, compared to less than \$3 billion in the 1980s. Mexico's outward FDI flows have increased fourteen-fold since 1990, and it is now one of the largest developing country overseas investors.²
- Investment growth in Mexico has not come at U.S. expense. Even excluding housing, U.S. business investment has risen by 104% since 1993, compared to a 37% rise between 1981 and 1993.

The NAFTA is not the only trade agreement that has expanded U.S.-Mexico trade. Through the World Trade Organization, we have increased competition in Mexico's telecom market, conducted primarily by U.S.-affiliated companies. Following our recent win at the WTO, the wholesale costs of calling Mexico fell from 19 cents a minute in 2003 to under 5 cents a minute today. As a result, cross-border telephone traffic has witnessed extraordinary growth, almost doubling from 6.5 billion minutes in 2002 to 12.5 billion minutes in 2004, and saving U.S. consumers hundreds of millions of dollars while putting Mexico firmly in first place (above Canada) as the country Americans call most.

How much the NAFTA affected the changing trends in goods and services trade and investment cannot be measured precisely. This is especially true when looking at broader measures of economic performance since the NAFTA entered into force. However, there is a wide range of economic indicators that have grown more rapidly since the NAFTA was implemented.

- For the United States, job creation, industrial production, real compensation for manufacturing workers, business productivity and investment have all increased by higher rates in the period since 1993 compared with prior years.
- Mexico has seen consistent GDP growth—40 percent since 1993—and annual real wage growth since 1995. This has been accompanied by much lower interest rates and rapid development of consumer finance services, such as home mortgages that have created a boom in consumer lending and home purchases.

There is substantial evidence trade has played a very positive role in Mexico's development.

- Firms that export have created more than half of Mexico's new jobs since 1995, and those jobs pay on average 40 percent more than jobs in Mexican firms that do not export.
- Mexican wages and employment tend to be higher in states with higher FDI and trade, and outward migration from those states is lower.

CURRENT CHALLENGES

To address the challenges the U.S.-Mexico trade relationship faces today and in the future, there are three circumstances to consider.

The first is implementation of the remaining NAFTA commitments by January 1, 2008.

- While less than 1 percent of our trade remains subject to duties, final removal of these duties has raised concerns in some sectors. As the three NAFTA

²UNCTAD World Investment Report 2005; page 310.

trade ministers made clear at their annual oversight meetings last month in Mexico, they are committed to full implementation of the NAFTA and will not consider any reduction to our NAFTA obligations.

A second set of challenges must take into account the changes in global trade since the NAFTA entered into force. Simply put, Mexico and the United States have been reducing trade barriers with other countries, meaning the margins of preference provided by the NAFTA ten years ago are shrinking.

- In 1993, for example, the average United States duty on imports from all countries in was 3.2 percent. By 2005, it had fallen to 1.4 percent. Mexico still has a larger margin of preference today than it did before the NAFTA, but it is has begun to fall.³
- The United States also faces more competition in Mexico's market: Mexico has free trade agreements with 42 other countries today, compared with one (Chile) in 1994.
- And of course we both face the challenge of increased competition for goods and resources with economies such as China and India.

A third set of challenges is how to best address today's security concerns while not creating trade barriers, an issue my colleagues from Homeland Security describe in greater detail.

I will conclude my remarks by briefly describing the work we are undertaking to meet these challenges, coming out of both the NAFTA trade ministers meeting held on March 24 and the meeting of Presidents Bush and Fox and Prime Minister Harper the following week in Cancun.

As I noted above, the key to our efforts is the recognition that the NAFTA has been a tremendous success for Mexico, the United States and Canada, and all are fully committed to the full implementation of the NAFTA in 2008.

Second, trade ministers have also launched a review of the NAFTA. This review will identify more ambitious disciplines in our more recent regional FTAs that could be candidates for incorporation into the NAFTA. As a part of this review, we will also identify work that could be undertaken to remove remaining trade barriers and explore how the NAFTA countries can work together to respond to current challenges faced in the global economy.

In Cancun, Presidents Bush and Fox and Prime Minister Harper affirmed their commitment to advancing the productivity and competitiveness of the region through the Security and Prosperity Partnership of North America (SPP), as noted in the State Department testimony. The SPP builds on and complements the NAFTA, and we can use both processes to advance common strategic North American goals. For example, under both the NAFTA and the SPP, USTR is soliciting proposals from U.S. industries to liberalize and simplify NAFTA Rules of Origin, making it easier to use the benefits of the duty-free access that the NAFTA provides.

To conclude, with the NAFTA firmly in place, the United States and Mexico have not only become better customers for each other but better neighbors, more committed partners, and effective colleagues in a wide range of trade-related international organizations.

I am pleased to answer any question the subcommittee may have.

Mr. BURTON. Thank you very much.

Ms. Adams?

TESTIMONY OF MS. AUDREY ADAMS, DEPUTY ASSISTANT COMMISSIONER, OFFICE OF INTERNATIONAL AFFAIRS, U.S. CUSTOMS AND BORDER PROTECTION, U.S. DEPARTMENT OF HOMELAND SECURITY

Ms. ADAMS. Chairman Burton, Ranking Member Engel, Members of the Subcommittee, it is a privilege and an honor to appear before you today to discuss U.S. Customs and Border Protection's efforts to strengthen our partnership with the Government of Mexico.

I want to begin by expressing my gratitude to the Committee for the interest and support you provide for important initiatives with

³The average tariff on Mexican goods in 1993 was 2.07 percent, a margin of 1.13 percentage points below the average U.S. tariff; the margin in 2005 is 1.3 percentage points.

our Mexican counterparts and other efforts to increase the security of our homeland.

As we execute our primary mission of preventing terrorists and weapons of mass destruction from entering the United States, Customs and Border Protection continues to execute its traditional enforcement missions, including apprehending individuals attempting to enter the country illegally, stemming the flow of illegal drugs and other contraband, protecting our agriculture and economic interests from harmful pests and diseases, regulating and facilitating international trade, collecting import duties, and enforcing United States trade laws.

The Security and Prosperity Partnership is a key initiative in our efforts to improve security while facilitating legitimate trade and travel between Mexico, Canada, and the United States. The SPP encompasses both a security and a prosperity agenda.

One of the key initiatives within the SPP is the World Customs Organization Framework of Standards, frequently referred to as “the framework,” to which both the United States and Mexico are signatories. An important piece of the framework is capacity building whereby member nations, customs agencies, and administrations provide assistance to their foreign counterparts in an effort to modernize and upgrade their internal organization and improve their capacity to fully implement the framework.

In March of this year, a Customs and Border Protection assessment team traveled to Mexico to assess and document basic issues related to Mexico’s customs processes, infrastructure, and programs. The results of this assessment will be used to develop a proposed action plan for future training and technical assistance to Mexico.

We are strengthening our partnership with Mexico through a number of the working groups established to implement the deliverables associated with the Security and Prosperity Partnership. These working groups are critical to implementing important bilateral programs, including the Free and Secure Trade Initiative, known as FAST; the Customs Trade Partnership Against Terrorism, known as C-TPAT; and the Secure Electronic Network for Travelers, Rapid Inspection, or SENTRI.

These programs assist law enforcement at our nation’s borders in identifying high-risk passenger and cargo traffic and separating those that represent a lower risk to homeland security. This concept reflects CBP’s strategy of using risk management and advanced technology and information to secure our borders while also facilitating the expeditious processing of legitimate trade and travel.

CBP and the Mexican Government are also engaged in a variety of efforts to combat human trafficking and smuggling. These efforts will enhance our collective security, increase safety in border areas, and will enable the more effective prosecution of human smugglers and traffickers. The Operation Against Smugglers and Traffickers Initiative on Safety and Security, known as OASISS, is a bilateral program between the United States and Mexico that enhances the ability to prosecute alien smugglers and human traffickers on both sides of the border.

Working with our key partners in the Mexican attorney general's office, OASISS is currently operational along the California and Arizona sections of the southwest border. We will continue to engage our Mexican partners in expanding it to the New Mexico and Texas border areas as well.

Additionally, the Interior Repatriation Program is a key bilateral program in which certain Mexican nationals apprehended while attempting to cross illegally into the United States are voluntarily returned to the interior of Mexico. By voluntarily returning these Mexican nationals to the interior, we break the cycle of human smuggling and the incidence along the border.

In March 2006, DHS Secretary Chertoff and his Mexican counterpart, Secretary Abascal from the Department of Governance and Public Safety, signed a plan of action committing both governments to continue the establishment of border emergency protocols to ensure rapid response in an effort to decrease the violence against officers on both sides of the border. CBP, in partnership with Immigration and Customs Enforcement, are the lead U.S. agencies for rapid response and coordination of all follow-up investigations. CBP continues to further empower our local officials to assess issues at a local level and craft solutions appropriate to local circumstances.

The United States and Mexico also work cooperatively in the area of training. A prime example has been the efforts undertaken by the United States Border Patrol Search, Trauma and Rescue teams, or BORSTAR. These BORSTAR teams are elite, special-response units with law enforcement search and rescue and medical aid rapid-response capabilities. In 2005, BORSTAR conducted the first-ever search, trauma, and rescue training at the Binational Academy located in southern Mexico in the state of Chiapas. Additionally, CBP operates the National Air Training Center in Oklahoma City, Oklahoma, which provides training not only to CBP pilots but also aircraft and tactical training for Mexican pilots as well. These cooperative training programs have been highly successful and well received within the Government of Mexico.

Mr. Chairman, Members of the Subcommittee, I have outlined a number of initiatives today that we have taken jointly with the Government of Mexico to protect America from the terrorist threat while performing our traditional enforcement and facilitation missions. With the continued support of the Department of Homeland Security, the Government of Mexico, and the Congress, CBP will succeed in meeting the challenges posed by the ongoing terrorist threat and the need to facilitate the increasing number of legitimate shipments and travelers.

Thank you again for this opportunity to testify, and I would be happy to answer any questions you may have.

[The prepared statement of Ms. Adams follows:]

PREPARED STATEMENT OF MS. AUDREY ADAMS, DEPUTY ASSISTANT COMMISSIONER,
OFFICE OF INTERNATIONAL AFFAIRS, U.S. CUSTOMS AND BORDER PROTECTION, U.S.
DEPARTMENT OF HOMELAND SECURITY

Chairman Burton, Ranking Member Engel, Members of the Subcommittee, it is a privilege and an honor to appear before you today to discuss U.S. Customs and Border Protection's (CBP's) partnership with the Government of Mexico.

I want to begin by expressing my gratitude to the Committee for the interest and support you provided for important initiatives with our Mexican counterparts, and other efforts to increase the security of our homeland. Your support has enabled CBP to make significant progress in securing our borders and protecting our country against the terrorist threat. CBP looks forward to working with you to build on these successes.

On March 1, 2006, CBP marked its third anniversary, and in those three years we have made great strides toward securing America's borders, protecting trade and travel, and ensuring the vitality of our economy. As America's frontline border agency, CBP employs highly trained and professional personnel, resources, expertise and law enforcement authorities to discharge our priority mission of preventing terrorists and terrorist weapons from entering the United States. Carrying out our extraordinarily important mission entails improving security at and between our ports of entry, as well as extending our zone of security to protect our physical borders.

As we work to gain operational control of our borders, we continue to perform our traditional missions, including apprehending individuals attempting to enter the United States illegally; stemming the flow of illegal drugs and other contraband; protecting our agricultural and economic interests from harmful pests and diseases; protecting American businesses from theft of their intellectual property; regulating and facilitating international trade; collecting import duties; and enforcing United States trade laws. In FY 2005, CBP seized over 2 million pounds of narcotics, processed 431 million pedestrians and passengers; processed and cleared 25.3 million containers transported via sea, rail and air; processed approximately 29 million trade entries and 121 million privately owned vehicles; and collected \$31.4 billion in revenue.

CBP must perform its important security and trade enforcement missions without stifling the flow of legitimate trade and travel that is so important to our nation's economy. Our efforts to build more secure and more efficient borders would not be possible without our partnerships with the trade community and foreign governments, including the government of Mexico.

As our closest neighbor to the South, the government of Mexico is a critical partner for U.S. Customs and Border Protection. In FY 2005, approximately 242 million people crossed through U.S. ports of entry from Mexico. CBP works extensively with representatives of the customs, immigration, law enforcement and security agencies of Mexico, as well as with many of the leading Mexican businesses. I would like to take this opportunity to describe some of the initiatives and programs that are currently underway with our Mexican colleagues.

SECURITY AND PROSPERITY PARTNERSHIP (SPP)

On March 23, 2005 in Waco, TX, President Bush, along with Canadian Prime Minister Martin and Mexican President Fox, unveiled the Security and Prosperity Partnership for North America (SPP), a blueprint for a safer and more prosperous continent. The Leaders agreed on an ambitious security and prosperity agenda which will keep our borders closed to terrorists and open to trade. The three leaders instructed each nation to establish ministerial-level Security and Prosperity working groups. Secretary Chertoff chairs the security agenda while Secretary of Commerce, Carlos Gutierrez, chairs the prosperity agenda.

The Leaders met again this year on March 31 in Cancun to review progress and renew commitment to enhance the security, prosperity, and quality of life of the citizens within North America. The leaders announced the creation of a North American Competitiveness Council (NACC). The Council will comprise members of the private sector from each country who will meet annually with security and prosperity Ministers and will engage with senior government officials on an ongoing basis. CBP looks forward to its role in working with the NACC.

The Security agenda consists of ten security-related goals including Traveler Security, Cargo Security, Border Facilitation, Law Enforcement, Critical Infrastructure Protection, and Technology. Last June, Secretary Chertoff together with his counterparts in Canada and Mexico, delivered a detailed work plan for the security agenda. Within each goal there are more defined objectives, and within each objective there are certain Canada-Mexico deliverables that call for specific actions to be implemented jointly between the U.S. and Mexico. CBP is responsible for a significant portion of SPP. The Security agenda builds upon and expands the initiatives that CBP previously had engaged with Mexico under a bilateral forum known as the Border Partnership Plan (BPP).

We continue to strengthen our ties to our Mexican colleagues through a number of working groups that were established to implement the SPP Deliverables. These working groups are critical to implementing important bi-lateral programs such as

Free And Secure Trade (FAST), Secure Electronic Network for Travelers Rapid Inspection (SENTRI), the Customs-Trade Partnership Against Terrorism (C-TPAT), the Operation Against Smugglers (and Traffickers) initiative on Safety and Security (OASISS), and the Interior Repatriation program (IR), which I will describe shortly.

One of the key SPP initiatives is the World Customs Organization (WCO) Framework of Standards, to which Mexico is a signatory. Adopted by the WCO in June 2005, the Framework consists of four core elements: harmonized advance electronic manifest information on cross border shipments; a risk-management approach to inspections; application of modern technology; and customs privileges for businesses that meet minimum supply-chain standards. The Framework has the potential to dramatically improve the security of world trade and improve the efficiency and flow of trade. Through the Framework, the WCO is promoting security concepts of programs, including our Container Security Initiative (CSI) and C-TPAT, which seek to identify, detect, and deter a threat at the earliest point in the supply chain.

An important element of the Framework is capacity building. Through the WCO, certain member nations' customs agencies provide assistance to other countries to modernize and upgrade their capacity, including the internal organization, requirements, procedures and processes, so that these countries can fully implement the standards set forth in the Framework. CBP believes strongly in the principles of the Framework, recognizes its ability to offer relevant training and assistance, and has extended formal offers of assistance to ten countries. Mexico accepted CBP's offer and a CBP team completed its site assessment of customs operations in Mexico between March 6, 2006, and March 16, 2006. This team of subject matter experts documented basic issues related to legal authorities, customs processes, information technology infrastructure, integrity monitoring programs and physical infrastructures at selected seaports, airports and land borders. The assessment results will be used to develop a proposed action plan for future training and technical assistance for Mexico.

FREE AND SECURE TRADE (FAST)

Under the FAST program, Mexico and the United States have agreed to coordinate to the maximum extent possible, their commercial processes for clearance of commercial shipments at the border. This will promote free and secure trade by using common risk-management principles, supply chain security, industry partnership, and advanced technology to improve the efficiency of screening and clearing commercial traffic at our shared border. Under FAST, applicants who pay a fee and undergo security checks receive expedited processing for qualified merchandise in designated traffic lanes at select border sites. If a significant event or disaster that impacts cross-border trade were to occur approved FAST participants may receive priority during border business resumption protocols.

Since its inception in December 2002, FAST has enrolled approximately 61,000 commercial drivers and has expanded to eleven sites along the Northern border and seven locations along the Southwest Border. FAST will expand in calendar year 2006 to six additional sites along the Northern border and seven additional locations along the Southwest Border.

Mexican Customs and CBP continue to work together to further harmonize and refine FAST and its Mexican equivalent, Exprés.

SECURE ELECTRONIC NETWORK FOR TRAVELERS RAPID INSPECTION (SENTRI)

SENTRI is a "trusted traveler" program exclusive to the Southwest Border. The "trusted traveler" concept assists law enforcement officials at our nation's borders in identifying low-risk passengers from those that present a higher risk to U.S. homeland security. Working with the Department of State, this concept supports CBP's strategy of using risk management principles and advanced technology to facilitate the entry of low-risk travelers across the border at selected crossings.

SENTRI provides expedited CBP processing for pre-approved, low-risk travelers who undergo a thorough biographical background check against criminal, law enforcement, customs, immigration, and terrorist indices; a 10-fingerprint law enforcement check; and a personal interview with a CBP Officer. Approved applicants are issued a Radio Frequency Identification (RFID) card that identifies their record and status in a CBP database upon arrival at Port of Entry. An RFID transponder is also issued to the applicant's vehicle.

SENTRI participants wait for much shorter periods of time than non-participants to enter the United States, even at the busiest times of the day. Critical information required in the inspection process is provided by the RFID technology to the CBP Officer in advance of the passenger's arrival, thus reducing the inspection time from an average of 30-40 seconds to an average of 10 seconds. As soon as a SENTRI par-

ticipants presents his vehicle for inspection, bollards and concrete barriers create a chute that captures the SENTRI traffic and puts it under the CBP Officer's "zone of control". If both the CBP Officer and the SENTRI electronic equipment approve, the traveler can be granted admission into the United States. Currently, approximately 75,000 individuals are enrolled in SENTRI, accounting for over 300,000 border crossings into the U.S. per month.

CUSTOMS-TRADE PARTNERSHIP AGAINST TERRORISM (C-TPAT)

In fiscal year 2005, over 5.3 million containers entered the United States from Mexico across our Southwest border. Working with our Mexican partners, we are extending our zone of security beyond our borders. Through C-TPAT, CBP works together with businesses to identify, implement, and validate strong supply chain security. C-TPAT was modeled after two earlier programs, Business Anti-Smuggling Coalition (BASC) and Carrier Initiative Programs that were supported by the Mexican government and the Mexican business community. The Mexican government and Mexican business continue to support our efforts in cargo and supply chain security. Numerous Mexican manufacturers and southern border highway carriers have become C-TPAT members, and have welcomed CBP validation teams to inspect their supply chain security measures.

OPERATION AGAINST SMUGGLERS (AND TRAFFICKERS) INITIATIVE ON SAFETY AND SECURITY (OASISS)

OASISS is a bilateral program between the U.S. and Mexico, which enhances our ability to prosecute alien smugglers and human traffickers on both sides of the border. Too often, smugglers responsible for life threatening behavior, and even deaths, on one side of the border were able to evade justice by escaping to the other side.

Working with the Mexican Attorney General's Office (PGR), we have been able to successfully process a total of 129 cases under the OASISS program. In 2005, the Border Patrol, in California and Arizona alone, assisted in the prosecution of 786 smuggling cases, and the Office of Field Operations assisted in the prosecution of 766 cases, a total of more 1,500 alien smuggling prosecutions.

OASISS is currently operational along the California and Arizona sections of the Southwest border, but we are engaging our Mexican partners to expand it to the New Mexico and Texas border areas.

INTERIOR REPATRIATION PROGRAM (IR)

The IR program is a bilateral program between the U.S. and Mexico, in which certain Mexican nationals apprehended while trying to cross illegally into the United States are *voluntarily* returned to the interior of Mexico, in an effort to break the cycle of human smuggling and decrease incidents of border deaths. The general principles for the IR Program were agreed to bilaterally through the U. S.—Mexico Repatriation Technical Working Group. Through programs like the IR we can enhance our collective security, provide for the safety of Mexican nationals, and repatriate them in a manner that is safe, orderly, humane and dignified.

The program was established in summer 2004 and successfully repatriated more than 14,000 individuals to their hometowns in the interior of Mexico. The program exhibited bi-national cooperation at the level of central government and local officials. In 2005, the second IR program ran for 113 days, from June 10 to September 30, 2005. During that time, an estimated 20,850 persons were safely repatriated to the interior of Mexico. Participants were flown from Tucson, Arizona, to Mexico City and then transported by bus to locations nearer to their hometowns.

Our governments are currently assessing proposals for an IR program for this summer.

Further, we are working with Mexican officials to update and implement local repatriation arrangements between DHS and the Mexican consulates in the United States. CBP officers—including those at ports of entry and in the border patrol—as well as our colleagues in Immigration and Customs Enforcement (ICE) are responsible for the safe, orderly, and effective repatriation of Mexican nationals.

BORDER VIOLENCE

On March 3, 2006, in Brownsville, Texas, Secretary of Homeland Security, Michael Chertoff, and his Mexican counterpart, Secretary of Governance and Public Safety, Carlos Abascal, signed a Plan of Action committing both governments to combat border violence and improve public safety. The commitment between our two nations will strengthen procedures between federal law enforcement agencies on both sides of the border to respond to a variety of incidents, including accidental

crossings, incidents of violence, or other situations that present risks to those who live, work, or travel at our common border. CBP and the Center for Investigation and National Security (CISEN) in Mexico are working closely to develop communication and response protocols when these incidents occur. Advances we are making with this effort include the establishment of local groups to work together on issues of border security, including border violence. We are working to empower our local officials to assess issues and craft solutions appropriate to local circumstances. Our first two test sites for this concept are Laredo, Texas, and Nogales, Arizona. The principal focus of these groups is to implement border violence response protocols.

In recognition of our important relationship with Mexico, CBP opened its first Mexican Attaché office in August 2004. Working closely with our Mexican partners, this office plays a critical role in the development of communication and response protocols.

The commitment between our two nations will strengthen procedures between federal law enforcement agencies on both sides of the border to respond to a variety of incidents, including accidental crossings, incidents of violence, NARCOTICS TRAFFICKING or other situations that present risks to those who live, work, or travel at our common border. “

TRAINING AND ASSISTANCE

The United States has further developed its relationship with Mexico through training programs. Training sessions have focused on subjects including using of non-intrusive inspection equipment, detecting weapons of mass destruction, and identifying fraudulent immigration documents.

Border Patrol Search, Trauma and Rescue units (BORSTAR) are elite special response teams with law enforcement search and rescue, and medical aid rapid response capabilities. In addition to its core focus of supporting Border Patrol operations, this Special Unit provides mutual assistance to other federal, state and local entities including tribal authorities. BORSTAR has become a highlight of a bilateral training initiative in our relationship with Mexico. In December 2005, BORSTAR conducted its first ever search, trauma, and rescue academy for 25 Mexican officials. The training was conducted in the southern Mexican state of Chiapas and was well received. Additionally, CBP operates the National Air Training Center in Oklahoma City, Oklahoma. In addition to training CBP pilots, the center provides aircraft and tactical training to Mexican pilots.

Mr. Chairman, Members of the Subcommittee, I have outlined a number of initiatives today that we have taken with the government of Mexico to allow us to protect America from the terrorist threat while performing our traditional enforcement and facilitation missions. But our work is not complete. With the continued support of the President, the Department of Homeland Security, and Congress, as well as our international partners including the Government of Mexico, CBP will succeed in meeting the challenges posed by the ongoing terrorist threat and the need to facilitate the increasing numbers of legitimate shipments and travelers.

Thank you again for this opportunity to testify. I will be happy to answer any questions you may have.

Mr. BURTON. Thank you very much.

We sure appreciate all of your testimony. I am sure we are going to have a number of questions that we will not have time to have answered, so I would like to submit those to you for the record so if we do not get through all of the questions, I hope you will respond to those in writing for us.

Let us start off with one on trade. I am sure that there has been significant trade advances on both sides of the border, but what has the balance of trade been like since NAFTA passed? I know there is more trade, but has the trade balance been in favor of Mexico or the United States, and if so, how much?

Mr. MELLE. At the time NAFTA was passed, the United States ran a small goods surplus with Mexico.

Mr. BURTON. How much?

Mr. MELLE. I believe, a billion-seven, \$1.7 billion.

Mr. BURTON. So we had a billion-seven surplus at the time we passed NAFTA. What is it now?

Mr. MELLE. I will have to look up the current figure, but it is a large deficit at this point.

Mr. BURTON. Can you tell me about how much?

Mr. MELLE. I hope I can in a moment.

Mr. BURTON. I would think that would be a significant thing to bring to this discussion.

Mr. MELLE. It is, and I hope I brought it with me, but I do not have it memorized.

Mr. BURTON. Get the gun. A lot of my colleagues on both sides of the aisle are for certain free trade agreements, and they want to know what the progress has been or what the situation has been. We have a \$123 billion trade deficit with China right now, and we are wrestling with that, and I just wanted to know how we have gone from a \$1.7 billion trade surplus with Mexico to what kind of a trade deficit.

Mr. MELLE. I believe it is in the vicinity of \$50 billion, but I will have to—

Mr. BURTON. So we have gone from a \$1.7 billion trade surplus to a \$50 billion trade deficit. Can you tell us roughly what that means in employment, as far as jobs going south?

Mr. MELLE. Well, we do not subscribe to any methodology that makes a direct comparison between a trade balance and a job-supported number. Obviously, the U.S. economy has grown significantly since the NAFTA. I believe the job creation figure for us is about 22 million since the NAFTA.

Mr. BURTON. 22 million jobs you say?

Mr. MELLE. Created in the United States, and, obviously, a very low unemployment rate. So that is how we measure the success of the U.S. economy and its performance.

Mr. BURTON. I see, but as far as that relationship to our trade agreements with Mexico, you do not have any figures on that.

Mr. MELLE. To convert a deficit into an impact on job creation, no.

Mr. BURTON. All right. That is fine. Thank you very much. I appreciate that.

Let me ask you a question about security, border security. We have had a number, as you mention in your statement, a number of border agents attacked by gangs of people coming across that border. Do we need more border agents now, and if so, how many do you think we need?

Ms. ADAMS. I think we work very, very closely with our colleagues in Mexico in attempting to help them build institutions to strengthen the response capabilities on the border. Obviously, we take the matter of border violence incredibly seriously. It is an exceptionally difficult issue for all of us. The Border Patrol has a very aggressive recruitment process in place. They have received many additional positions, thanks to our Congress. I think, at this point in time, we have to just realize it is a complex problem, and we are using a combination of technologies, personnel—

Mr. BURTON. You are not really giving me a direct answer, and I can understand you may have difficulty in doing this. You do not have any idea how many additional Border Patrol agents you think we need right now.

Ms. ADAMS. I think it is a combination of technology, training, and personnel, and I think we are working to find that right mix.

Mr. BURTON. What kind of technologies are you talking about, and how much of that do we need?

Ms. ADAMS. Certainly, we have sophisticated sensor systems. We have unmanned aerial vehicles that we use—

Mr. BURTON. Drones?

Ms. ADAMS [continuing]. Precisely—that we have tried to use to supplement our available personnel. There are a lot of issues out there, and I would like the opportunity to have a more formal response presented to the Committee, if that is all right.

Mr. BURTON. Yes. I would like for you to send that to us.

One of the big things we are wrestling with right now is an answer to the immigration problem. We have got, as you know, over 11 million illegal aliens in the United States, and we have got a problem with the continued porous border. So we need to know how we are going to address that, and we need some guidance from Homeland Security and our Border Patrol people, as well as law enforcement people down along the border. So any information you can give me or the Committee or any other Member of Congress, we would really appreciate because, as you know, it is a big, big issue, not only here but across the country.

Ms. ADAMS. It is a very significant concern for U.S. Customs and Border Protection, and, believe me, it is the safety of our officers and the lives of our officers, and we are exceptionally concerned.

Mr. BURTON. Now, the people that have been coming across that look like they are in military uniforms from Mexico; have we caught any of those people, and if so, are they military people from Mexico, or are they people just dressed up as military people?

Ms. ADAMS. I understand that the recent incident in Hudspeth County in Texas is still an open investigation being conducted by Immigration and Customs Enforcement.

Mr. BURTON. Did we capture anybody?

Ms. ADAMS. Not to my knowledge, but we can certainly get back to you with a more formal response to that as well.

Mr. BURTON. Have we captured anybody in any of these incursions that look like they were military or police from Mexico?

Ms. ADAMS. Not to my knowledge, but, again, we will have to get back to you with a more formal response.

Mr. BURTON. What I might do is suggest that if any Mexican police or military is caught in the United States illegally bringing people across the border, and we catch them, I want to know about that, and I would like for you to make a note in the report to this Subcommittee about that because that is something we need to take up with the Mexican authorities.

We want to have a great relationship with Mexico. It is absolutely essential. But if officials from that government—police or military—are coming across the border illegally, it needs to be stopped, and they need to help us in dealing with that. So we would like to have that information. So I am just making an open solicitation for that information as it occurs down the road.

Ms. ADAMS. Yes, sir.

Mr. BURTON. Let me just ask you this question. You know the candidates that are running for President down there. Can you

give us an assessment real quickly on what you foresee as things we can do to create a better climate for any one of those that are elected? Some of them, I understand, are a little farther to the left than others. So can you give us any suggestions on what you think we can do to help maximize our ability to work with them?

Ms. WHITAKER. I think we watch the elections, as do you, with great interest. As you have, I am sure, seen the lineup of the candidates, they all tend to hover more or less in the center. We really do not have any extreme positions. There is left and right center, all relatively moderate, although campaign rhetoric sometimes does get a little bit farther out there.

We do not speculate on who is winning. We watch the polls as well as everyone else. It does seem that Mr. Lopez Obrador may either be holding onto his percentage or losing a little bit. Mr. Calderon seems to be gaining a little bit.

But I think the most important thing that we can do is, first of all, we reaffirm to the Mexican people our firm conviction that they can do this, that they will have another free and fair election, that we trust their commitment to democracy, and we look forward to welcoming whoever is elected. In the meantime, of course, our personnel in Mexico City are speaking and trying to get a better sense of all of the candidates and their staff members.

Mr. BURTON. I want to say one more thing to Mr. Melle. I certainly support free and fair trade. I do not want you to be misled by my question that I think we should not have a trade agreement with Mexico. I just think it is important that we know what the numbers are so we know how to deal with this situation as time goes by, and knowing what the trade deficit is is real important, I think, for most Members of Congress.

I want to say one more thing here, and then I will yield to my ranking Democrat. The Mexican legislative body passed a resolution that states the Government of Mexico does not promote illegal migration and calls for the development of a guest worker program in the United States under the principle of shared responsibility. Has there been any indication that they are going to work as hard on the Mexican side of the border as we are on the American side of the border to make sure that we have stopped illegal immigration?

Ms. WHITAKER. We did see the concurrent resolution, and we have also seen the newspaper advertisement that the Mexicans published not too long ago. Indeed, we take those statements of policy, bipartisan policy, very seriously.

We have seen, under the rule of President Fox, that the Mexicans have taken steps to make the world see that it understands its obligations to control the flow of people across borders. They have established new checkpoints to detect third-country nationals, have established a tighter visa regime, for example, requiring visas of individuals from certain countries who are suspected to be using Mexico as a transport point or a point of entry into the United States.

What I think we expect is that regardless of whoever the current leadership is right now, that it is a bipartisan commitment, it is a commitment on the part of the Mexican institutions which have

been established and reinforced to allow Mexico to carry out its obligation to the United States. We expect more—

Mr. BURTON. I think, on behalf of most Members of Congress, and I cannot speak for everybody, but I think that if we perceive that the Mexican Government is really working to try to help stem the tide of illegal immigration, it would be a positive step toward the Congress of the United States passing an immigration law that is fair as far as the way the Mexican Government views it. The less cooperation we have from the Mexican side of the border, I think, the more likely it is we will have a more restrictive immigration policy that passes the Congress. With that, I yield to my colleague, Mr. Engel.

Mr. ENGEL. Thank you very much, Mr. Chairman.

I want to, Mr. Melle, agree with the Chairman in terms of the NAFTA trade disparity. It is really a concern, and when NAFTA was first implemented, the United States was positive in terms of the flow of goods and services. The 1994 devaluation of the peso, which made Mexican products cheaper, has changed that. So this is a concern across the board in Congress. I just wanted to reiterate what the Chairman said.

Ms. Whitaker, there has been a lot of talk in the bill that was passed, 4437. We have deployment of a fence and surveillance equipment along the Mexico-United States border. Some of us, myself included, have great doubts about that fence, first of all, in terms of negatively impacting relations between the United States and Mexico. What is Mexico's reaction to how the debate on the fence went? How does that affect United States-Mexican relations, and what is Mexico's reaction to how the debate on immigration reform is unfolding in the United States? Do they have a reaction to the marches in favor of reforms, to create the guest workers' program? Those are the two questions I would like to ask you.

Ms. WHITAKER. Thank you, sir. Certainly, there has been sharp and negative reaction to the passage of the House version of the legislation from media, from governmental figures, indeed, not just negative to the concept but also some concern that a fence really might not work when actually a number of the other enforcement mechanisms that are already in place do work. But certainly the fence and the bill's provision to make illegal entry a felony are particularly neuralgic issues for the Mexicans.

They certainly follow the debate over immigration with terrific interest. They are keenly aware that this is a decision for the United States' people and their representatives to make. They have watched also with interest some of the protests that have unfolded across this country. They have not made any public statement about those protests, nor has there been any contact on the part of the Mexican Government to the Department of State with regard to some of the flag-burning incidents that have taken place.

So they are keenly interested. They are watching us, but they are also well aware of the fact that this is something that our Government will need to work out in terms of protecting our borders. They approach this issue with the same understanding that they, indeed, have to protect their northern, but, in particular, their southern borders, themselves.

Mr. ENGEL. Thank you. In your testimony, you noted that our Government is taking a neutral position, both with respect to the campaign, for the elections in Mexico, and the outcome of the July election itself. I want to just say that I applaud this approach and also your statement that we will have a good relationship with whomever wins. Obviously, if we pick sides, and our side does not win, it creates a problem to begin with. So I just want to ask you if you want to elaborate on that any further. I think that you did, but I just want to applaud your approach.

I want to ask you two other questions. One is the horrendous problem in Ciudad Juarez, where, since 1993, 400 girls and women have been killed. Most of the victims were young and poor, and many were sexually assaulted prior to their deaths. I am very concerned and urge the State Department to continue to press Mexican authorities on the issue. What are they doing to investigate and prosecute those responsible?

Ms. WHITAKER. Indeed, we are working closely with Mexican authorities to try to shed some light as to who is perpetrating those crimes and why. I know that we have also been working very closely with law enforcement authorities there to establish a DNA database that, I think, was called for in House Concurrent Resolution 90, and that DNA database was installed in the Mexico City central forensic lab of the attorney general of the Republic in 2005. Following a short training period on the software, DNA analysts loaded the DNA information in their possession related to the Ciudad Juarez murders and are working to make matches with samples from the family members.

In order for the Government of Mexico to get maximum use of that same program, they will work in partnership with the state of Chihuahua law enforcement and forensic officials to make sure that all of the DNA data available from the murder scenes is incorporated there. So we are providing technical assistance. We are also working in terms of law enforcement training on sort of longer-term and longer-range programs to shore up the Mexicans' ability to try to bring these cases to justice.

Mr. ENGEL. Thank you. I want to also ask you a question about the International Criminal Court and Article 98. The President's 2007 budget request cuts international military education and training aid to Mexico from \$1.25 million to \$50,000. You note that this is because Mexico has not signed a bilateral immunity agreement, which is the Article 98 agreement, with us and that other crucial assistance programs to Mexico's judiciary are also impacted.

I would like to ask you what United States assistance will be impacted by Mexico's refusal to sign Article 98. Where else is this a problem? Given that regional governments clearly have no intent to modify their stance on the ICC, are we not really cutting off our nose to spite our face?

Ms. WHITAKER. Your last comment sounds strangely familiar to me. I think that Secretary Rice said something very similar, expressing her concern.

Indeed, Mexico's refusal to sign an Article 98 agreement will mean that both IMET funding, which in the region is actually relatively small—as you know, the Mexican military and the United States military have had a fairly arm's-length relationship for

many years. It has been becoming closer and closer under the Fox administration. However, right now, the way the situation looks, without an Article 98 and the fact that Mexico has acceded to the International Criminal Court will mean that both IMET and FMF funding possibilities for Mexico right now will not be possible.

In addition, and I think you were alluding to the economic support funds, economic support funds for Fiscal 2006, and the figure I have for 2005 was about \$13.5 million, if ESF for Mexico in 2006 is suspended, indeed, those were funds that were used for supporting the reform of the criminal justice system in six states and help with anticorruption measures at the state level. So we are concerned that those programs will need to be curtailed as a result of the lack of funding. I do know that, in terms of interagency and intergovernmental discussions, that this issue is before all of us right now.

Mr. ENGEL. Well, I share Secretary Rice's concerns.

Ms. Adams, let me ask you this. Mexico remains the leading transit country for cocaine and other illegal drugs. Mexico has denied numerous United States extradition requests based on their prohibition against life sentences and capital punishment. I am wondering how would you characterize Mexico's counternarcotics efforts under Fox, especially action against major traffickers and efforts to improve the judicial system?

Ms. ADAMS. We are exceptionally pleased with the cooperation we have realized with the Government of Mexico. There is a cross-border law enforcement organization referred to as the Senior Law Enforcement Plenary, or the SLEP, which enables open dialogue on a variety of enforcement matters, including narcotics, and I understand DEA has a very aggressive program working with the Government of Mexico.

One particular highlight that I would like to just take this opportunity to mention is the improvement in the relationship with the Government of Mexico in terms of prosecutions and alien smugglers. I want to mention a little more detail about the OASISS program that I mentioned in my testimony. This program enables the Government of Mexico to prosecute those alien smugglers that do not meet the thresholds for prosecution in the United States set by the various U.S. attorneys. Essentially, this is enabling us to improve the record of prosecutions and have those people prosecuted in Mexico. I think that is sort of symptomatic and symbolic of the willingness of the judicial system within the Government of Mexico to work cooperatively with the United States.

I realize I did not exactly answer your questions about narcotics law enforcement, but that is primarily the purview of the DEA, although we certainly continue our significant law enforcement mission along the border, both at the ports of entry and between the ports of entry, to apprehend narcotics coming into the United States.

Mr. ENGEL. Well, I will submit follow-up questions. Mr. Chairman, I have one final question to ask Ms. Adams.

I mentioned to Ms. Whitaker about the situation in Ciudad Juarez. I want to talk to you about trafficking in persons in general. The State Department has mentioned that trafficking in persons to the United States through and from Mexico for purposes of

sexual exploitation and labor exploitation remains a problem. So I want to ask you, what kind of training do U.S. border agents receive to address this modern form of slavery, and what smuggling patterns do you see, and how cooperative has the Mexican Government been on this issue?

Ms. ADAMS. Again, going back to the OASISS program, I think it is very encouraging that we have that recognition of the importance of preventing the smuggling of aliens because if it is for economic purposes, if it is for sexual exploitation, it is just a terrible situation. Too many people die crossing the border. We have excellent cooperation with Grupo Beta within the Government of Mexico, which is sort of a humanitarian equivalent of our United States Border Patrol. I think we continue to improve that relationship. As far as specific training that our officers get, I would definitely have to get back with you, and I apologize.

Mr. ENGEL. Okay. Thank you. Thank you, Mr. Chairman.

Mr. BURTON. Thank you, Mr. Engel.

I hope that if the State Department has any compromise solution to Article 98 it will let us know about it because that is not only a problem with Mexico; it is a problem with a whole host of countries, and we really need to deal with that. So if you are talking to Secretary Rice, you might say, send some kind of a suggestion up here, would you, please?

The Vice Chairman, Mr. Weller.

Mr. WELLER. Thank you, Mr. Chairman. Before I ask a question, just in relation to your question regarding the trade deficit with Mexico, Mr. Melle, I note with Colombia, for example, we have a trade deficit with Colombia, but after you subtract oil, we have a significant surplus with Colombia. What percent of our trade deficit with Mexico represents oil imports into the United States from Mexico since they are a primary supplier of the United States?

Mr. MELLE. I can confirm our deficit last year was \$50.2 billion. I believe petroleum imports are about 20 percent of our total trade, but I will have to confirm that and get back to you.

Mr. WELLER. I would be interested in knowing that number. Again, like I said, in the case of Colombia, even with ending the trade preference agreement, the advantages that the Colombia private sector has in exporting to the United States, remove oil, and they still have a significant deficit with the United States, to our advantage.

Mr. MELLE. Right. I can tell you, simply removing oil does not change the deficit to a surplus, but I will get back to you with the precise figure.

Mr. WELLER. Thank you. I appreciate that. Mexico is the fifth-largest crude oil producer. Eighty-eight percent of its business is to the United States, and considering the concern, I know, of every consumer in my district with gasoline prices being where they are, we are interested in, of course, what the future lies when it comes to the availability of oil and gasoline. We are overly dependent by way too much on imported energy.

I was wondering, Ms. Whitaker, to what extent our talks with our Mexican friends on the Security and Prosperity Partnership, those discussions, how they focus on the oil market between the United States and Mexico, how they focus on future investment in

Mexico's oil production domestically, as well as even the involvement of private sector investment in Mexico's oil production. Can you share those discussions?

Ms. WHITAKER. I will do my best. Indeed, at the most recent meeting with the three leaders, Prime Minister Harper and Presidents Fox and Bush, as part of the SPP anniversary, one of the initiatives announced at that time was the North American Energy Security Initiative, which stated that, indeed, we need a secure, sustainable energy supply as essential to our prosperity in North America, and to advance our energy agenda, the three countries have agreed to first enhance the development of a diverse energy resource base in North America by increasing collaboration on research, development, and commercialization of clean energy-related technologies and, second, to strengthen the North American energy market by improving transparency and regulatory compatibility, promoting development of resources and infrastructure, increasing cooperation on energy efficiency standards, and supporting other efforts aimed at addressing challenges on the demand side. So I think we have a point of cooperation, a point of departure for ongoing cooperation.

Certainly, energy is a key part of our relationship with Mexico. As you said, they are our third-largest supplier of crude oil after Canada and Saudi Arabia. To make sure that our large, cross-border energy trading relationship functions smoothly, we coordinate through a trilateral, North American energy working group, which, again, is an adjunct to the SPP.

We also welcome Mexico's efforts to promote energy efficiency in Central America and support them as they explore the possibility of having pipelines or refineries in the region and also bringing in the Inter-American Development Bank as a possible source of funding.

Mr. WELLER. What is the status of Mexico's efforts to integrate with their Central American friends, like you say, a pipeline? Where are they in that process? What is the anticipated timetable of that integration process?

Ms. WHITAKER. At this stage, I think that the most appropriate summation would be that the negotiations continue.

Mr. WELLER. So it is in the discussion stage. There is nothing in concrete yet that is occurring.

Ms. WHITAKER. Right. Discussions are underway. Next, of course, will be the lineup for the funding that will be required to do this, and that is, again, something that we felt important, to bring in the IAED early on in the process, but right now—

Mr. WELLER. Mexico has a limited amount of oil. How much do they have left? How many more years of production do they have available to sell to the United States and other customers?

Ms. WHITAKER. I do not have an answer to that question. It is a good question. I will try to get an answer.

Mr. WELLER. Does any other panelist know that answer? Obviously, they are a key supplier to the United States. No answer?

Ms. WHITAKER. We will try to find out.

Mr. WELLER. I am interested in knowing what the facts are on that.

Ms. WHITAKER. Sure.

Mr. WELLER. With the Presidential campaign that is underway, are there differing views on investment in the energy sector, particularly in the oil sector, of Mexico between the three major candidates, or are they all consistent in their views regarding state ownership, private sector investment, foreign investment in their energy sector?

Ms. WHITAKER. I would have to go back and take a careful look at their platforms. I am not even certain, frankly, that all of the candidates may have made official statements in the campaign or platform planks on energy. We can certainly check on that. I do know that there has been, as you know, discussion under the Fox administration about whether or not foreign investors might invest in PEMEX, and that is something that was—privatizing our foreign investment in PEMEX was something that was attempted but not achieved under President Fox's administration. We watch with great interest as to whether or not that issue might go forward under a next administration. It will, of course, require a change to the constitution.

Mr. WELLER. And speaking of the constitution, shifting the subject here, there was an interesting report, if we can shift over to the immigration issue, which was brought to my attention. It is a report put together by the Center for Security Policy regarding the Mexican Constitution as it impacts immigrants into Mexico, including those that become naturalized citizens. As we go through this debate on what our friends in Mexico have asked the United States to do, it is interesting to note what this report says. Can you confirm if this is true, that immigrants and foreign visitors are banned from public political discourse in Mexico? Is that true?

Ms. WHITAKER. I would want to check that before I confirm that.

Mr. WELLER. Okay. How about restrictions on basic property rights for immigrants or foreign citizens inside Mexico. Does the constitution have restrictions on that?

Ms. WHITAKER. I would need to check that for you, sir.

Mr. WELLER. Okay. What about on the ability of immigrants into Mexico and their equal employment rights under Mexican law and the constitution? Are they treated the same?

Ms. WHITAKER. What I would like to do, if you will permit me, is, indeed, to check the Mexican Constitution and get you a comprehensive answer.

Mr. BURTON. If the gentleman would yield just for a second, our counsel tells me that we checked that out before the hearing, and the questions you are asking are accurate. Those things are prohibited by law and constitution.

Mr. WELLER. May I just mention the other four questions?

Mr. BURTON. Sure.

Mr. WELLER. She does not have to give me an answer if she needs to research it.

Mr. BURTON. Yes. I am surprised the State Department did not have an answer.

Mr. WELLER. I would really be interested to know because, of course, in this debate, you know, there are various accusations, and then there are various demands being made, I would be interested to know what the facts are regarding the treatment of immigrants by particularly those countries that have asked us to do some ex-

traordinary things. Could you also check in the Mexican Constitution, whether or not immigrants and even naturalized citizens who have immigrated to Mexico, whether or not they are given full citizenship in Mexico, if they have a different status rather than a natural-born Mexican citizen, whether or not immigrants and naturalized citizens, are restricted in their ability to be involved in public service, run for office, and hold significant positions in the Mexican Government, also whether or not the Mexico Constitution allows immigrants or naturalized citizens to become members of the clergy? It is my understanding that the constitution actually restricts immigrants and naturalized citizens who have immigrated to Mexico from being leaders of the faith.

Also, does the Mexican Constitution allow private citizens to make citizens' arrests of foreign citizens or immigrants?

And then, last, whether or not the Mexican Constitution allows an immigrant, say, an American who immigrated to Mexico, to be expelled from Mexico for any reason and without due process.

I would really appreciate it if you would look into those statements because this report itemizes every one of those issues that I have raised with you, and I would really like to know the facts, and I think other Members of the Subcommittee would like to know the facts as we now go through the issue of border security and the illegal immigration issue that we are facing here in this Congress.

Ms. WHITAKER. Absolutely.

Mr. WELLER. Thank you, Mr. Chairman.

Mr. BURTON. Thank you, Mr. Weller. I did not mean to interrupt you other than I thought you were not aware that we had checked some of that stuff out, and I think that the questions you raised are very, very timely, and I was surprised the State Department did not have those answers.

Mr. WELLER. Mr. Chairman, you always act in a very deliberative manner, and I am not surprised that you already would have checked that out, being aware of this report. So I look forward to what the facts are because, frankly, I am surprised by what I have seen in this report.

Mr. BURTON. Thank you, Mr. Weller.

And now the Honorable Mr. Delahunt, known as the "Silver Fox from Massachusetts."

Mr. DELAHUNT. I thank my deliberative Chairman, and I would join in that request, the questions that were posed by my friend from Illinois. Again, during that interparliamentary conference, our colleagues in the Mexican Congress expressed the pressures that they feel from migration from Central America, and I am sure, at some level, they are experiencing these same kinds of concerns that we hear from our people from their own citizens. But this might provide an opportunity since the debate really is not limited to national boundaries, but for those of us who are neighbors to fully examine all of the implications of our own domestic policy regarding immigrants. I think that Mr. Weller raised those issues, and I think we deserve answers, and, at the same time, I think we should, in a very respectful way, raise them with the Government of Mexico and with our colleagues in the Mexican Congress.

I see my friend from Florida, Mr. Mack, is no longer here, but, I believe, he mentioned in his own remarks his concerns about the influence of Hugo Chavez on the election on July 2. This is just a question of our own policy, Ms. Whitaker. Is it the position of the administration that the Mexican people need some guidance from us as to whom they elect as President?

Ms. WHITAKER. I think the position of the United States Administration, the United States Government, is, indeed, that it has full faith that the Mexican people will carry out free and fair elections for themselves.

Mr. DELAHUNT. So we trust the Mexican people.

Ms. WHITAKER. Absolutely.

Mr. DELAHUNT. That is good to hear, and I presumed that that was going to be the answer.

I ran across some very interesting data here. Again, maybe this is the influence of Hugo Chavez or maybe Fidel Castro or maybe the Shining Path—I do not know—but in the year 2000—this is reflective of Mexican attitudes toward the United States—in the year 2000, 68 percent of the Mexican people had a favorable attitude toward the United States. Five years later, it was 36 percent. Now, I do not know whether, again, that is the influence of external forces or what the answer is, but what happened during that 4-year period where the view of the Mexican people about the United States declined by almost half?

I would also add, because I think we should be fair to our friends from the North, the Canadians, in the year 2000, 76 percent of the Canadians had a favorable impression of the United States, but in 2005, that has declined, too, tragically, unfortunately, from my perspective, to 43 percent. Now, maybe Hugo Chavez has influence in Mexico, but I have not seen Hugo Chavez having significant influence in Canada. Maybe it is Fidel Castro, or maybe it is the Shining Path and the Tumpaneros that are hurting our image up in Canada. I do this for the benefit of my deliberative Chairman.

But seriously, it is interesting that trade goes up by three and a half times, Mr. Melle, and I respect your data, and I am sure that it is valid, and yet we are hurting. We are really hurting in his hemisphere in terms of how we are perceived. I have quoted other polls. I quote the poll that was taken by John Zogby where 82 percent of those that were sampled had a negative opinion of our President. That disturbs me, not as a partisan but as an American because that transforms into, I think, anti-American sentiment that hurts our national interests. But if you have an answer, or if anyone has an answer, I would like to hear it.

Ms. WHITAKER. I would be glad to offer a couple of observations. I think one of the things that happened, as one of your distinguished group here mentioned, was the very early meeting that took place between President Bush and President Fox early in the Bush administration, which everyone on both sides of the border greeted with great expectation, enthusiasm, and hoped that this would be a new day for the relationship between our two countries. Well, that relationship has gotten better, of course.

Something that happened not too much later was 9/11, which throughout the hemisphere—I think you can take a look at some of the polling data and see that, indeed, there is a perception—

whether it is entirely fair or not is another thing, but there is a perception, indeed, that since 9/11 the United States has directed its attention to the other side of the world, for obvious reasons.

I think there is another factor, so I think that is a contributing factor. Of course, we have not drawn in our assistance programs and our engagement with the hemisphere, by any means, since 9/11 in the hemisphere, but it has perhaps been not seen in such sharp relief as some of our activities elsewhere in the world.

I think another phenomenon that we are seeing—you talked about Mr. Chavez and Diego Morales and other folks who are to the left of the political spectrum, and I think what we see widespread through the hemisphere is populism. It is real questioning—

Mr. DELAHUNT. Let me interrupt you there, Ms. Whitaker, because the Zogby poll that was taken, and I am sure you are familiar with it, which had that 82 percent negative opinion of President Bush, what I found most stunning to me was that the sample was not the Travistas, the Fidelistas, the Tumpaneros, or the Shining Path. The sample was the economic elite in Latin America. That is what I found profoundly disturbing. One would anticipate that that elite would be inclined to support, if I can say it, a Republican administration.

Mr. BURTON. Is that a question, gentleman?

Mr. DELAHUNT. Yes. Do you agree?

Mr. BURTON. All I can say is I am going to yield to my colleague. You know, when you go into a conflict, many times you lose your popularity as it goes on longer and longer. I remember one of the greatest leaders of the 20th century was Winston Churchill, and because he talked about the horrible atrocities he thought that were going to occur from Adolph Hitler and his ilk prior to World War II, he was vilified, and his popularity was so bad that he almost did not get reelected to Parliament, but then later on, he was proven to be a great leader and became what most people think was one of the greatest leaders of the 20th century.

Polls are a fixed thing in a fixed period of time, so I am not going to debate this with you right now. I am going to say let us wait until November and see what happens.

My colleague, Mr. McCaul.

Mr. MCCAUL. Thank you, Mr. Chairman. I actually have two issues I want to raise, and if they have already been raised, I apologize.

I live in a border state. We attended the United States-Mexico Interparliamentary North Mexican Congress. They, for the first time, recognized that they have what they call "migration phenomena." President Fox said he does not want to export his own people, but that is, in fact, what is happening.

But I also see a grave and serious danger south of our border with respect to the cartels who have literally bought up the property and everything that comes with it, including the police and, I think, in some cases, the military. I would like your comment on that initially.

I see that posing a real threat because these delivery routes are bought up. They have been, in some cases, buying land on the

American side. So whether it is human trafficking, dope, or, God forbid, a weapons of mass destruction, the routes are in place.

Because of this threat we need their cooperation, and we made that very clear when we met with them. We do have forces. We have talked a lot about Hugo Chavez. I think that is clearly a force in Latin America that is turning the tide back to socialism. We have failing democracies. We are losing the war that I thought we won back in the eighties. We have his alliance to the President of Iran, who has stated that he wants to wipe Israel off the face of the earth. Now they have an enrichment uranium program that I believe is not a peaceful program. That alliance concerns me and the Castro alliance. Coupled with the Hezbollah, al-Qaeda presence in Latin America, this all brings the war on terrorism into our own hemisphere.

I know that is kind of a broad statement, but I wanted to hear your comments on that statement and also what the State Department is doing to get the Mexican Government, first and foremost, since they are our immediate neighbor, to cooperate with us and to help us not only on immigration but border security as it relates to potential terrorism?

Ms. WHITAKER. Mr. McCaul, I am happy to offer my answer, but I think actually my colleague from DHS might be able to give you more detail on it.

Ms. ADAMS. We have certainly a great concern about many of the same issues that you have raised, and I can only go back to the programs that we are trying to implement, and nothing can happen without the full cooperation of our Mexican colleagues. From the Customs and Border-Protection perspective, we are trying very hard to work with our Mexican colleagues to help them build their institutions.

I was privileged to spend 13 years of my customs career in Laredo, Texas, and from the Laredo, Texas, area, we managed everything from Del Rio to Brownsville—eight ports of entry; at that time, 17 crossings; many since then have been increased—and we cannot do anything without our colleagues from Mexico. The World Customs Organization Framework of Standards to secure and facilitate trade has offered CBP an opportunity to work with our colleagues within the Mexican Government to help them build their institutions, to help them develop risk-management programs, programs to enhance communications, to strengthen their ability to target shipments coming into the United States.

So I think, to the extent possible, we are using the resources of the Department of Homeland Security and those which this Committee and the Congress have graciously provided to help enhance our ability to cooperate. Those kinds of programs are emulated throughout the department, and I think anything that we can say, or you can provide us to help us build those institutions within the Government of Mexico, is really the map to the future.

Mr. MCCAUL. If I could comment on that, I think, and I know the Chairman, I think, feels the same way, if there is any way we can, as Members of Congress, help facilitate that process, we would very much like to do that. I know my colleague on the other side of the aisle has been down to Venezuela and has had meetings with

Hugo Chavez. But I think this relationship with Mexico is so important that we need to get it right.

You mentioned Nuevo Laredo. The border sheriff showed me a videotape that was recently taken down there of a gun battle between the cartels and the Mexican Federales, and there were machine guns, rocket-propelled grenades, cars blowing up, and dead bodies in the street.

I just got back from Baghdad last week. That was worse than what I saw in Baghdad. I am very concerned about the violence that is occurring down there.

In addition, and my last point, if I can make it, Mr. Chairman, is that 42 U.S. citizens were kidnapped in Nuevo Laredo last year. I met with the families down there, and I felt so hopeless. I did not really know what to tell them other than I was really sorry about what happened. I do not know what the State Department is doing to help find these people. That would be my last question, Mr. Chairman. If Ms. Whitaker could answer that one.

Ms. WHITAKER. We have consular officers, as you know, in our consulate in Nuevo Laredo who are working in their traditional capacity with the families, but that does not necessarily get to the law enforcement part of that issue, and that is where I think our judicial reform activities, working with our Mexican counterparts, law enforcement, Border Patrol, all of this—I think we feel the same pressure to try to bring these cases to justice and see that the perpetrators are brought to justice and bring these cases to a close. We share your horror at what has happened.

Mr. McCAUL. It would be nice to see some results from that. I thank you for your time and thank you for being here today.

Mr. BURTON. Thank you, Mr. McCaul. I appreciate you bringing some of those issues up. I just wanted to add to one of the things that you were talking about, and then we will excuse this panel.

Is customs and Border Patrol conducting security checks on all FAST applicants, and are random checks of FAST lanes being conducted at all locations along the southern border, Ms. Adams?

Ms. ADAMS. One of the prerequisites for participation in FAST is that the companies involved, be they the U.S. importers or the drayage companies, all have to be members of what we call C-TPAT, our Customs Trade Partnership Against Terrorism, which is a very aggressive program where we encourage and reward the involved businesses by asking them to invest in the security of their own companies.

We ask them to conduct background investigations on their own employees. We ask them to ensure the security of the physical area where their trucks are stored, for example, so that nobody could put something into a truck. We ask them to deal only with other authorized C-TPAT participants as they are looking to secure their supply chain.

So I think you can be very much assured that we have personally visited with many companies and all of the companies that are FAST approved.

Mr. BURTON. Are random checks of FAST lanes being conducted?

Ms. ADAMS. I would have to get back to you in terms of what the protocol is for that.

Mr. BURTON. Would you get back to us on that?

Ms. ADAMS. Yes.

Mr. BURTON. We would really appreciate it.

I want to thank this panel very much for being here. We appreciate it. I am for free trade. I just want to make sure it is as fair as possible. When I hit you with that question, you looked at me like I threw a wet sock or something at you. That is Hoosierism, throwing a wet sock at somebody. But thank you all very much.

We would like to have the next panel come forward and let them make a couple of statements.

The next panel consists of Stephen Johnson. He has testified before the Subcommittee, and we welcome him back. He is a former State Department officer who has worked at the Bureau of Inter-American Affairs and Public Affairs. He is a senior policy analyst for Latin America at the Kathryn and Shelby Cullom Davis Institute for International Studies at the Heritage Foundation.

Professor Robert A. Pastor is the director of the Center for North American Affairs and serves as Vice President of international affairs at American University. From 1985 until September 2002, Dr. Pastor was a professor at Emory University and fellow and founding director of the Latin American program and the Democracy Project at the Carter Center, and he has served as the director of Latin American and Caribbean Affairs at the National Security Council and has written extensively on United States foreign policy toward Latin America.

I am going to swear you gentlemen in, and then you can make comments based upon all you have heard. I understand you have listened to this rhetoric for some time now, and rather than making an opening statement, which you can give to us for the record, I would like to hear your comments on what you have heard.

Mr. BURTON. With that, would you please rise to be sworn?

[Witnesses sworn.]

Mr. BURTON. Let me start with you, Mr. Johnson, and thank you very much for your patience.

**TESTIMONY OF MR. STEPHEN JOHNSON, SENIOR POLICY
ANALYST, THE HERITAGE FOUNDATION**

Mr. JOHNSON. You are very welcome, sir. Chairman Burton, Ranking Member Engel, distinguished Members of the Committee, many thanks for inviting us to be part of this hearing and to provide our opinions and views based on this very important topic.

In terms of looking at the relationship and what has been said by our distinguished colleagues that went before us in our hearing, I think it is important to remember that Mexico has been engaged in a long-term series of reforms that go back further than just the Fox administration, beginning back in the 1970s and into the 1980s and certainly accelerating through the 1990s. Mexico has made a concerted attempt to reform its economy, to begin to plug itself into the world in terms of its foreign policy, and also to exploit the possibility of better relations with the United States, knowing that its own prosperity hinged on having better ties to us. I think we would be remiss if we did not recognize its own volition, its own intent, to do that on its own without being prodded by external forces.

That said, I think there are some important pluses that we can note in Mexico's progress. Certainly, its economic performance re-

cently has enabled it to weather two financial crises. The 1995 peso crisis almost did it in, but fiscal responsibility prevailed in Mexico and allowed it to come forward and repay its debts 3 years ahead of time.

Then again, after September 11, President Fox inherited an economy that was beginning to contract, and, in fact, it did contract by about less than a percentage point but still significantly. Jobs were actually lost in 2001, and yet Mexico managed to turn that around into a slight GDP growth rate in 2002. In 2003, it was a little bit higher, jobs were coming up, and then in 2004, we were looking at a growth rate of around 4 percent.

During the greater part of the Fox administration, Mexico's inflation rate has declined by two-thirds. Its foreign investment is up by 74 percent. Real wages have risen 7 percent, and in the last year, about 570,000 jobs have been created, that helping to bring down the number of Mexicans in the poverty line.

Mexico has become much more democratic. It still has a ways to go, but the Congress is actually a brake on Executive Branch excesses. It has become an active player in the North American continent. Numerous commissions have been established, beginning really in the 1980s and then accelerating after NAFTA in the 1990s, that have created a whole network of commissions in which nuts-and-bolts progress is made pretty much on a daily and monthly basis between Mexico and the United States, and that is the kind of institutional relationship that we want to have.

Notwithstanding what our leaders may say and whether or not President Bush and President Fox might agree or not agree on migration policy, that kind of progress continues to happen on a daily basis.

Mexico is modernizing its security policies. We are looking at Mexican military forces that are now beginning to move beyond internal order, working to help Mexico curb drug trafficking and begin to look at an international role. Mexico is beginning to participate to a limited extent in peacekeeping training with Canada. Our armed forces are working a little bit with Mexico on a very limited basis. Of course, this is all very sensitive on the other side of the border. And I do not think we can forget that Mexico's army came to the aid of Hurricane Katrina victims, which was deeply appreciated by many Americans.

Its foreign policy is more pragmatic today. At one time, Mexico automatically backed Cuban dictator Fidel Castro and Nicaragua's Sandinista comandantes. Today, it may not always endorse United States policies, but it is more supportive of international standards on human rights, democratic governance, and who can forget how President Fox came to the defense of free trade at the last Americas Summit in Buenos Aires?

I think, on the minus side, lingering political traditions continue to block some advances. With few exceptions, Mexico's party leaders, not their party members, choose candidates who make policy decisions. Consensus building between Mexican lawmakers of different parties is still a minor art.

I want to thank Representative Weller for participating 2 years ago in a legislative affairs training session that we held with Mexi-

can legislators. These kinds of things are very important and helpful.

The other thing is that there is still a constitutional ban on reelection, and that limits congressional and legislative oversight on Executive Branch functions.

Another minus is that Mexico's foreign policy will always be more independent than we would like. Mexico's leaders misread as much as we misread them. Many think that the European Union is the model that our North American community should follow, and then there is migration myopia. Although it has always been a concern of local United States officials, Mexican and Latin American leaders have now woken up to the migration problem and the strong flows that have come across their border in the last decade.

But it was Mexican Foreign Secretary Jorge Casteneda who persuaded President Fox to make it part of his regional integration policy and look at the United States in the optic of the European Union as if the United States should have an obligation to help absorb Mexico's poor and unemployed. Fox's language was polarizing, and it suggested that Americans should relieve Mexican elites of the burden of reforms to straighten out their own economy. Now, the Mexican Congress is digging itself out of that hole.

Looking at Mexican elections, that possibly could be something that would slow down reforms and have an impact on relations, but most likely I think progress will continue since Mexico's prosperity depends so much on commerce and friendly ties with its North American neighbors.

Mr. BURTON. Mr. Johnson, excuse me for interrupting. We are going to have a vote, I was just informed, in about 5 or 10 minutes, and we want to ask a few questions of you, so if you could sum up, we would really appreciate it, sir.

Mr. JOHNSON. I would just say that, tellingly, none of the three main Presidential candidates has a platform that dramatically challenges the progress that Mexico has already achieved.

So, in sum, I would say that in terms of our relations with Mexico, it is important not to throw out the baby with the bath water. There are certainly some things that we may not like, but we now have an obligation to work together with Mexico to consolidate the progress that Mexico has chosen and has already achieved. Thank you.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF MR. STEPHEN JOHNSON, SENIOR POLICY ANALYST, THE
HERITAGE FOUNDATION

Chairman Burton, Ranking Member Engle, distinguished members of the Committee:

Thank you for inviting me to testify on this timely subject—the state of U.S.-Mexico relations. When record numbers of Mexicans are crossing our borders to obtain employment in the United States, along with other Latin Americans, it is important to have clear understanding of where relations with our close neighbor and third largest trade partner are taking us.

Many of us remember when Mexico had a closed economy and prickly relations with the United States. Yet over the last 20 years, these two nations have become cooperative partners thanks to Mexico's adoption of dramatic economic, electoral, and foreign policy reforms.

During this time, the North American Free Trade Agreement tripled U.S.-Mexico commerce. Vicente Fox became the first president elected from an opposition party in seven decades. Mexico increasingly became a valuable ally in international fo-

rums such as the Organization of American States and a willing ally in apprehending transnational criminals.

While the United States and Mexico seem far apart on headline-grabbing issues such as support for the U.S. liberation of Iraq and Mexico's desire to obtain migration privileges for its underemployed workforce, the two nations continue to improve relations on trade, border cooperation, and security.

As for the future, Mexican elections in July 2006 could lead to a modest expansion or a sharp narrowing of areas of collaboration, depending on the outcome and interest groups that manage to surround the new president.

In short, a trend toward greater cooperation will bring us together while certain political factors will pull us apart. It is important for U.S. leaders to understand this dynamic to maximize our strengths as partners and minimize our adversarial weaknesses. Our prime goal should be to encourage further reforms so Mexico can approach political, economic, and defensive parity with the United States and Canada, that we may work better together and reduce incentives for underemployed Mexicans to seek survival and advancement by crossing borders.

TRENDS FAVORING GREATER COOPERATION

Economic progress. During the 1980s as inflation soared to more than 2000 percent, Mexico began slowly opening its economy to foreign investment and trade. Ten years later, inflation was down and Mexican president Carlos Salinas was busy promoting the North American Free Trade Agreement which went into force in 1994. The devaluation of Mexico's currency in December 1994 threatened its fragile economic progress. Yet sound fiscal management allowed the economy to keep growing and Mexico to repay \$40 billion in loans more than 3 years ahead of schedule.

In 2001, Mexico suffered another downturn following the terrorist attacks on the United States. Temporarily losing export markets and tourism, its economy contracted nearly a percentage point and barely crept into the positive column the following year. But Mexico's economic strength returned in 2004. Speaking at The Heritage Foundation on March 23, 2006, Mexico's Secretary of Governance Carlos Abascal Carranza reported the following overall gains from 2000 to 2005:

- Mexico's annual inflation declined by two-thirds;
- The public deficit dropped to zero;
- Foreign investment grew 74 percent.
- Mexico's non-oil exports increased nearly 60 percent (over the last decade);
- Tourism is up 40 percent;
- Investment in roads and highways has grown 144 percent;
- Six million scholarships now help keep poor children in class through high school;
- The value of real wages rose 7 percent;
- Nearly 577,000 new jobs were created in 2005; and
- The number of Mexicans living under one poverty index dropped 23 percent.

Trade liberalization has been the mainstay of this resilience. Total U.S. trade with Mexico more than tripled in 10 years, from \$81.5 billion in 1993 to a high of \$267 billion in 2004.

Political reforms. Mexico's 1917 constitution established a federal governing system. Yet until recently, it hardly performed that way. For decades, the president from the ruling party controlled all branches and levels of government from the top to the bottom through patronage and favors. During the 1990s, electoral reforms and the rising strength of opposition parties laid the foundation for competitive elections and the emergence of Mexico's congress as a check on executive power. In July 2000, a modernized, professional Federal Electoral Institute conducted a model vote with paper ballots—the first truly honest national contest in seven decades.

Since then, Mexico's political progress has become somewhat a victim of its success. A congress divided by the three major parties (the Institutional Revolutionary Party—PRI, the National Action Party—PAN, and the Democratic Revolutionary Party—PRD) has blocked many of President Fox's suggested reforms, making him look ineffective compared to past strongman leaders. Yet to its credit, the congress has introduced its own measures and passed a few of Fox's initiatives. Between 2000 and 2004, some 30 institutional reforms became law, including a freedom of information law, the creation of a federal bureau of investigation, expanded indigenous rights, and the promotion of a more professional career civil service.

Bilateral projects.

A North American community as envisioned by some U.S. advocates of closer integration and President Vicente Fox is not likely in the near term. The NAFTA partnership is a long way from becoming the American equivalent of the European Union (EU). Nor should it try to be with the EU's emphasis on regulation over creativity. Nonetheless, NAFTA partners are moving closer day by day on common trade and security policies. These policies are more likely to enter into play when Mexico develops effective public institutions and embraces the rule of law. That is, they will have meaning when the political and economic culture in Mexico coincides more closely with those of its partner countries.

NAFTA was not the beginning of such collaboration. U.S.-Mexico boundary commissions date back to 1889 while environmental conventions were established earlier in the 20th century. A U.S.-Mexico Binational Commission was established in 1981 as a forum for cabinet-level officials from both countries to address topics requiring high-level attention. NAFTA and negotiations surrounding it resulted in the Border Environment Cooperation Commission (BECC), the North American Development Bank focused on strengthening border infrastructure.

In March 2005, Presidents Fox and George Bush and Canadian Prime Minister Paul Martin gathered in Crawford, Texas to launch the Security and Prosperity Partnership for North America, a trilateral working group tasked to promote greater commercial activity while enhancing security for the region. So far, the group has produced a framework to enhance electronic commerce, guidelines for aviation safety, recommendations to streamline trade, new bilateral procedures to target and prosecute alien smugglers, a partnership to integrate automotive industries, and closer cooperation on confronting terror threats.

Security ties increasing. Cooperation on security has grown since 1977 when Mexico introduced Plan Condor, tasking the army with combating drug traffickers. President Salinas declared counternarcotics to be a national security priority and his successor Ernesto Zedillo cemented the army's position in fighting crop production, trafficking, and organized crime. President Fox promised to reform Mexico's poorly paid and corrupt police to do that job, but found such changes too difficult to move through congress and implement. Ultimately he turned to the military's special battalions and even named a senior army officer as Attorney General.

Mexico is still a major transit country for South American cocaine as well as a heroin and marijuana supplier. But the government's effectiveness in arresting the problem has grown. The current Fox Administration has apprehended members of the Arellano-Felix cartel, the Carillo Fuentes organization, and the Gulf cartel. Eradication, interdiction, and actions against money launderers have increased. Since the Zedillo Administration, at least, the United States has modestly aided these efforts by providing surplus equipment and training of which the Mexican government speaks little to avoid appearances of catering to Uncle Sam. On the other hand, some U.S. lawmakers criticize this cooperation as catering to a nation unworthy of American trust. Historical trends show such assessments on both sides to be invalid.

Mexico's armed forces are also beginning to step away from their traditional role of maintaining internal order and policing rural areas. Cooperation on transnational crime was a start. Increased interest in defense matters and oversight on the part of the congress helps. Mexican think tanks are beginning to ponder national security strategies. Moreover, President Fox has spoken often of a trilateral security zone protecting the three NAFTA partners. That can't exist until Mexico's military can train, exercise, and act in concert with U.S. and Canadian forces that have operated interactively for decades under the North American Defense Agreement and the North Atlantic Treaty Organization. However, Mexican units have begun to attend peace-keeping exercises with Canada and have received some training from the United States. Further U.S. collaboration could be hobbled, however, by Mexico's accession to the International Criminal Court, triggering U.S. sanctions on security assistance.

Mexico's evolving international vision. In the past, Mexican governments manifested an inward vision. When they looked beyond their borders, it was usually toward Mexico's own neighborhood to support movements and regimes adversarial to the United States as a way of demonstrating independence. It endorsed the Sandinista takeover in Nicaragua as well as the Farabundo Martí Liberation Movement in El Salvador. Longstanding friendly ties with Cuba's Fidel Castro regime was the hallmark of Mexico's foreign relations.

That began to change in the 1990s, when Mexico became more supportive of Central America's new democracies. Foreign Secretary Rosario Green of the Zedillo Administration met with Cuban dissidents in 1999, dismissing Fidel Castro's claims that she was meddling in Cuba's internal affairs. Last year, Mexico even proposed

its own candidate to lead the Organization of American States (OAS). In November, President Fox gained stature when he called on all pro-trade nations to endorse free trade principles in the final declaration at the Americas Summit in Buenos Aires. Venezuela was the only holdout.

Besides hosting a Special Summit of the Americas in 2004, Mexico has held a seat on the United Nations Security Council, is a founding member of the World Trade Organization, joined the Asia-Pacific Economic Cooperation group (APEC), and was recently elected to the International Atomic Energy Agency Board of Governors.

FACTORS THAT PULL US APART

Various features in Mexico's political and economic landscape still pose barriers to more beneficial ties. Among them:

Lingering political traditions. One of Mexico's foremost political scholars, Enrique Krauze, observed in the January edition of *Foreign Affairs* that in Mexico "there is no general agreement on the right way to create wealth, economic growth, or employment; on how to modernize the energy sector; on how to combat poverty and inequality; on how to approach and manage globalization." Old political ways based on favor trafficking and personal power do not permit such analysis and consensus.

Much of that old power structure still exists. Political parties don't yet represent members. Except for the PAN's recent presidential primaries, most candidates for general elections are selected by party leaders. Consensus-building is still a minor art in legislative bodies where agreements that cross party lines are seen as betrayals. Mexico's constitutional prohibition against re-election of parliamentarians limits legislative oversight. Just as a congressional deputy becomes an expert on how public institutions function, that person's term ends.

Monopolism and anti-competitiveness. Liberalization has yet to demolish obsolete features of the old economic order. Foreign investment is limited by law in Mexico's large telecommunications and energy sectors where state monopolies like Pemex, the state petroleum company are protected from competition and privatization. Company executives claim it loses \$1 billion annually to internal corruption.¹ Some 20 percent of Mexico's workforce is in the agricultural sector (compared to 3 percent for the United States and Canada) although the number is declining. Half of Mexico's agricultural sector is throttled by an 80-year-old collectivized land-tenure system that promotes continued cultivation of small plots of 5 hectares or less while blocking agricultural investment.

Lacking full property rights and access to modern farm technology, nearly half of all Mexicans living in rural areas do not make enough to feed themselves and choose to abandon farming in order to survive. Meanwhile, Mexico's centralized education system does not reach the countryside where a quarter of the population lives. While some 88 percent of U.S. citizens complete high school, only 25 percent of Mexicans do so, according to a recent comparative study.²

Independent foreign policy. Despite warmer relations and burgeoning economic integration, Mexico's foreign policy cannot be expected to automatically align with the United States. Based on longstanding grudges and fears, Mexican public opinion probably will never favor U.S. interventions in other parts of the world. Understandably, President Fox could not support U.S. actions to liberate Iraq. Moreover, it is unlikely his successor could do so without losing essential political capital to advance controversial reforms. Mexico's relations with Fidel Castro may also wax and wane independent of U.S. inputs. The recent case of U.S. sanctions against an American hotel chain operating a property in Mexico where Cuban diplomats attended a conference, shows that Washington sometimes acts without considering host country laws or repercussions.

Unrealistic expectations. In September 2001, President Fox was probably correct in declaring the 1947 Inter-American Treaty of Reciprocal Assistance outdated. His timing was ill-advised, coming on the heels of the terrorist attacks on the United States. Moreover, the Fox Administration sees North American integration as patterned after the European Union model with common regulatory environments and aid flows from the richest to poorest nations. However, that view clashes with U.S.

¹ Petroleos Mexicanos (Pemex) was created in 1938 when foreign oil operations were nationalized and then constitutionally protected as national patrimony by the ruling Institutional Revolutionary Party (PRI). Today, the PRI continues to block congressional attempts to privatize it. In 2001, Pemex took in \$46.5 billion, paid \$28.8 billion in taxes supporting nearly half the federal budget, and posted a loss of \$3.5 billion. See Tim Weiner, "Corruption and Waste Bleed Mexico's Oil Lifeline," *The New York Times*, January 21, 2003, p. 1.

² Table A1.2, *Education at a Glance, OECD Indicators*, Organisation for Economic Co-operation and Development, Paris, 2003, p. 41.

and Canadian cultures that value security as the product of creativity and competitiveness, not as a first priority.

Although it has always been a concern of local U.S. officials, Mexican migration became a major bilateral issue shortly after 9/11 when Mexican Foreign Secretary Jorge Castañeda persuaded President Fox to make it part of his integration vision. As part of its “European Union-think,” the Fox administration persistently suggested that U.S. had an obligation to absorb Mexico’s poor and unemployed similar to the way EU nations took on some of the burdens of new members.

Obviously, current demographic trends are not in Mexico’s favor. Nearly a million youths enter the Mexican labor force each year. Not all youths are educated enough to take jobs now available, plus half million new jobs per year are simply not enough. Mexico’s minimum wage is US\$4.50 per day, far below the minimum US\$5.15 per hour stateside.

A more acute situation exists beyond Mexico’s borders, throughout Latin America. In South America’s Andean ridge—from Venezuela to Bolivia—the poor constitute more than half of the population. Except in Colombia, a developing trend is to consolidate power within plenipotentiary presidencies, ignore the rule of law, over-regulate small business, and let the state to set prices and salaries—a recipe for job loss. Most countries’ gross domestic products barely approach those of mid-sized U.S. cities. Realistically, no migration deal with the United States will change that situation. Only political and economic freedoms will balance that equation.

Election Wild Card. Finally, the outcome of July 2006 election could determine whether Mexico continues to strengthen ties with its North American neighbors, pulls back into its shell, or even seeks an alliance with populist neighbors like Venezuela. Because Mexico is bigger than any one candidate for president and its democratic progress has already crossed party lines from the once-dominant center-left Institutional Revolutionary Party to the conservative National Action Party, a radical shift in policies is remote. However, the possibility should not be discounted either.

Mexico’s next president may shape foreign policy, introduce budgets, and promote or slow reforms, but will most likely will face another obstructionist congress divided among the three major parties, the PRI, the PAN, and the PRD. Unlike the past, when the congress served as a rubber stamp to approve budgets that powerful chief executives provided, parliamentarians and commissions can block presidential initiatives as well as introduce and pass their own legislation.

Among presidential candidates, Roberto Madrazo of the PRI has a general platform that favors general law enforcement reforms, renewed emphasis on public works, and industrial competitiveness. His past history as an old-school political operator suggests he may attempt to roll back recent changes that ended his party’s monopoly in national politics.

Felipe Calderón of the PAN says he will forge ahead on free-market reforms where President Fox had been unsuccessful. His party has published an extensive 56-page platform featuring specific institutional, market-oriented, and security-related proposals. However, Calderón will face the same challenge that Fox did—conquering a divided congress. Although the PAN probably has the most sensible ideas, Calderón must prove a better salesman and negotiator than his predecessor.

Former Mexico City mayor Andrés Manuel López Obrador of the PRD claims he would continue Mexico’s current integrationist trajectory, although he reportedly has hard-left Chavistas in his political base. On one hand, his campaign literature emphasizes fiscal conservatism: simplifying Mexico’s tax code, reducing public debt, and promoting micro-credit opportunities to trigger small business start-ups. Instead of exporting Mexico’s unemployed to the United States, enterprise zones in southern Mexico would soak up underutilized labor. He claims he would promote further decentralization of the government to obtain greater federalism.

On the other hand, López Obrador is a former member of the favor-dispensing PRI and tends to view the Mexican business community with disdain. He must go farther than rival Felipe Calderón to show his willingness to dicker with opponents to produce compromises.

WHAT THE UNITED STATES SHOULD DO

Mexico’s prosperity and progress in making its government more accountable and its economy more open to competition among its citizens is of prime importance to the United States. Secure, stable, and friendly neighbors are essential to guaranteeing the security of U.S. citizens. In its own interest, the United States should challenge roadblocks and trends away from the path of liberalization and integration that Mexico has chosen for itself.

U.S. Congressman can encourage their Mexican counterparts:

- To improve citizen oversight of government at all levels by establishing primaries to allow any citizen to run for office, by tying legislative representatives to districts, and devolving more authority to state and local jurisdictions.
- To phase out inefficient monopolies to enable reinvestment, renovation, and private ventures in Mexico's energy and telecommunications sectors.
- Implement their own reforms to enable broader access to credit for small Mexican businesses to complement existing reforms to streamline licensing and enable access to loans at rates similar to U.S. and Canadian markets.
- Improve primary and secondary schooling particularly in rural areas to enhance employment prospects for workers leaving Mexico's outdated agricultural sector. A restructured North American Development Bank could provide financing, while stronger local control over schools could improve accountability and loosen the grip of national unions over the education system.

The Bush Administration should continue to promote closer cooperation between Mexican and U.S. military and law enforcement agencies by:

- Inviting Mexico to participate in combined North American military exercises the way Canada and the United States participate in each other's defense maneuvers;
- Expand exchanges for Mexican law enforcement, immigration, and justice system personnel through existing U.S. public diplomacy and Agency for international Development programs;
- Expand training for Mexican armed forces and law enforcement agencies beyond counternarcotics to promote common standards and competencies; and
- Offer judicial system training to promote compatible standards and competencies in the rule of law, backing up gains in law enforcement and improving Mexico's investment climate.

No matter who prevails the July 2 presidential contest, both the White House and the U.S. Congress should be prepared to work with the winner. Mexico's bid is not a take-it-or-leave-it proposition. As our third largest trading partner and close neighbor, Mexico's success is important to our own. Americans should appreciate Mexico's reforms to date and welcome its willingness to partner in deeper commercial and security ties.

Mr. BURTON. Thank you, Mr. Johnson. Dr. Pastor?

**TESTIMONY OF ROBERT A. PASTOR, Ph.D., VICE PRESIDENT
OF INTERNATIONAL AFFAIRS, OFFICE OF INTERNATIONAL
AFFAIRS, AMERICAN UNIVERSITY**

Mr. PASTOR. Thank you very much, Mr. Chairman. I commend you and your colleagues for focusing on Mexico and North America at a moment when most people in the United States are focused solely on the Middle East. I think President Bush was correct in going to Cancun for the summit with Prime Minister Harper and President Fox, but the truth is that the agenda there was timid, and the results were meager.

NAFTA succeeded for what it was designed to do, which was to dismantle trade and investment barriers, and dramatically expand trade and investment. It accelerated economic and, to a lesser extent, social integration, of North America, and it will permit the United States to get a competitive edge in the world if we find ways to deepen integration. But we have not really done that. Our agenda has not even broached the major issues that we need to think about.

There is a second-decade agenda that should focus on the fact that the income gap between Mexico and its northern neighbors in the last decade has widened, and that illegal migration has worsened. You asked whether we need more border guards. We have tripled the number of border guards in the last 15 years, and the

number of undocumented workers crossing the border has not diminished one iota.

So the question on immigration is whether we are approaching it in the right way. Ninety-three percent of the migrants that come to the United States say they had jobs when they left. So they are not seeking jobs; they are seeking more income—eight or ten times higher than they have in Mexico; and, therefore, in the long term, the only way to reduce illegal migration is to narrow that income gap.

We should not look to the European Union as a model, but if we do not explore their five decades' worth of experience and try to extract from that experience that which worked and avoid that which failed, I think we will be making a serious mistake. Europe was able to narrow the income gap dramatically over two decades. I propose a North American Investment Fund which would focus on those elements of the European experience that worked, which was infrastructure that would connect the center and the south of Mexico to the northern market and post-secondary education.

In the long term, that is the only solution. In the short term, we have to deal with the issues that you have already raised. We have to deepen economic integration through considering a Customs Union, which would eliminate rules of origin. We should negotiate a North American security perimeter, recognizing that the only way to really protect the United States is not just at the borders but at the perimeter of all of North America with teams of Mexicans, Canadians, and Americans that are willing to work together. So there is a full agenda that we need to address.

The question was asked by Congressman Engel as to whether we are cutting off our nose to spite our face with Article 98. The short answer is yes, and we should realize that because of the importance of our relationship we should not have to ask the Mexicans to exempt us from the International Criminal Court.

Congressman Weller raised the question of what was accomplished on energy security at the summit, and the answer is almost nothing. All three major Presidential candidates in Mexico have different approaches on energy. This reflects a recognition in Mexico that energy is a serious problem, but their positions are quite different. Lopez Obrador would like to find ways to make the existing monopoly work a little bit better. I think the other two major candidates are looking for other models, such as Petrobras in Brazil, that would allow private investment in technology and allow them to reduce their imports from the United States of natural gas by additional production. So there is much that could be done.

There was a question asked about Hugo Chavez. Lopez Obrador is not Hugo Chavez. If anything, he is much closer to the model of Lula in Brazil. He is a social democrat who speaks to the poorer people of the country. Whether the methods that he would employ as President would succeed in raising their level of income remains to be seen, but the Mexican people can judge that in the debate, and they can decide whether he can deliver.

I would ask that my statement be submitted for the record, and I would welcome any further questions that you may have.

[The prepared statement of Mr. Pastor follows:]

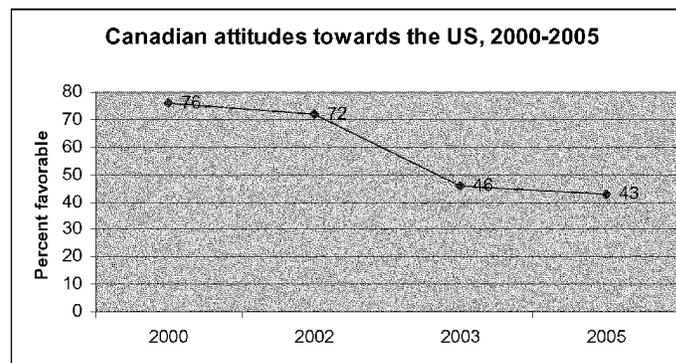
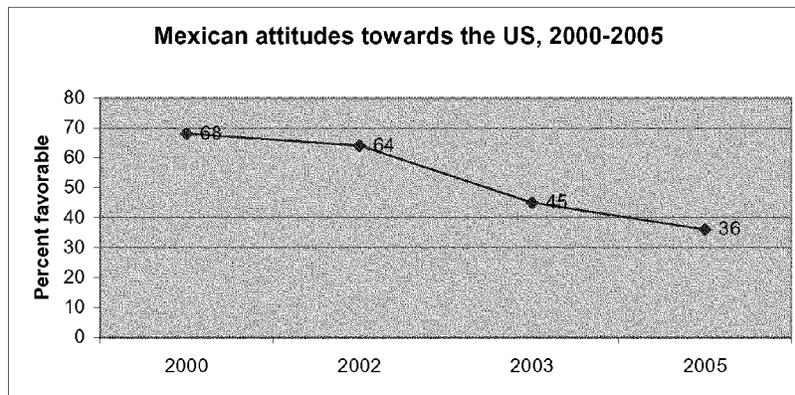
PREPARED STATEMENT OF ROBERT A. PASTOR, PH.D., VICE PRESIDENT OF
INTERNATIONAL AFFAIRS, OFFICE OF INTERNATIONAL AFFAIRS, AMERICAN UNIVERSITY
THE U.S., MEXICO, AND NORTH AMERICA

Mr. Chairman, Ranking Member, and Members of the Committee:

Thank you for the invitation to testify on the state of U.S.-Mexico relations and the many issues that affect our relationship. While our country focuses on the Middle East, I applaud this Committee's recognition that there is no country whose stability and progress has more of an impact on the United States than Mexico.

Last month, President George W. Bush met with President Vicente Fox and Prime Minister Stephen Harper in Cancun. The three leaders should be commended for acknowledging the priority of North America, but their agenda was too timid and the results too meager to build on the foundation constructed twelve years ago when the North American Free Trade Agreement (NAFTA) came into effect.

President Bush's election in 2000 raised expectations that the former Texas Governor would give priority to Mexico and Canada, and this was underscored by his first foreign visit, which was to President Fox's ranch in Guanajuato. There, Presidents Bush and Fox pledged to consult with their Canadian counterpart and seek a North American economic community. They have made almost no progress toward that goal. Indeed, relations have deteriorated, as the two sets of polls below show. Between 2000 and 2005, the percentage of Mexicans and Canadians with a favorable view of the United States declined almost by half. Why?



Q: "In general, would you describe your opinion of the United States as favorable or unfavorable?"
Sources: For 2000 and 2002 data: Pew Research Center (2002), *What The World Thinks In 2002: How Global Publics View: Their Lives, Their Countries, The World, America*. Available at: <http://people-press.org/reports/pdf/165.pdf>; for 2003 and 2005 data: Ekos (2005), *Wave 1 - General Public Survey: Canada, the U.S. and Mexico*. Available at: www.consejomeicano.org/download.php?rid=850202.668.2

Despite the obvious differences between Canada and Mexico, the pattern of each country's relationship with the United States is quite similar, and the polls are a symptom. Canadian and Mexican disenchantment is due to their feeling that the United States is unwilling to take their views seriously, and the U.S. does not comply with agreements if it does not serve its interests. Despite pledges by Presidents Clinton and Bush to resolve long-standing problems like trucking with Mexico and softwood lumber with Canada, these problems continue to fester. Although President Bush promised President Fox in February 2001 to address the immigration issue, it continues to corrode our relations. The disagreement among the three governments on the war in Iraq could have been an opportunity for the United States to demonstrate that close relations do not require agreement on every issue, but the opposite occurred.

The root cause of the strained relations is the imbalance in power and the lack of credible continental institutions, but it is also because the U.S. government has never organized itself to address the difficult domestic-continental trade-offs that define North American relations. If the U.S. does not comply with trade agreements, however, it invites similar behavior by our neighbors—e.g., Mexico's Congress is considering changing the "national treatment" of foreign investment. The path toward solving these chronic problems is to place bilateral relations with both Mexico and Canada in a new North American framework.

There are three good reasons to build a North American Community—to compete better in world commerce, to secure ourselves from external threats, and to develop a model that would inspire those seeking to reduce the disparities between rich and poor countries.

Let me focus first on U.S.-Mexico relations, and then, I will propose a continental agenda and proposals to achieve the three goals—security, prosperity, and development.

MEXICO AND U.S.-MEXICAN RELATIONS

Mexico is beset by many serious problems, but we should not overlook the great strides made in recent years. Nor should we fail to recognize our own limitations.

It is true that Vicente Fox failed to implement the many reforms needed to make the country more competitive and safe, but he deserves immense credit for democratizing a deeply authoritarian country. This process began with his election, and it has flowered since then. (As a person who organized the observation of elections in Mexico and the United States in the year 2000, let me say that Mexico's new election institutions proved more competent than those in the United States.) Secondly, while Mexico's energy monopoly has constrained the production of oil, gas, and electricity, the Fox Administration with a minority in Congress has demonstrated fiscal responsibility—a feat that should either evoke humility, embarrassment, or praise from the United States. Third, due to NAFTA, Mexico has Latin America's largest economy, and its annual trade has soared to more than twice that of Brazil (\$429 billion vs. \$190 billion in 2004).

Despite this economic success, Mexico has made little progress on matters of public security and drug trafficking. The inequality between rich and poor is still dangerously wide. Mexico imports nearly 25 percent of its natural gas from the United States, a net importer. Taxes are about 11–13 percent of gross national product, a level far below all other OECD countries, and because of that, it has few resources to invest in education or infrastructure. It generates fewer than half of the jobs needed to employ its young workforce, and while its per capita income is high by Latin American standards, it is less than one-sixth that of the United States.

On July 2nd, Mexicans will choose their next president. The current front-runner, Andres Manuel Lopez Obrador of the leftist PRD, speaks to and for the poorest parts of the population. He promises jobs for the poor, welfare for the elderly, disabled, and youth, infrastructure for the country, and a more efficient PEMEX. The question is whether he can accomplish those goals without inflating the economy. Felipe Calderon of the PAN and Roberto Madrazo promise a more market-oriented economic policy and a more efficient energy sector which will be open to private investment and technology. Despite deep anxieties in Mexico over the US immigration debate, all three candidates have been restrained from engaging in anti-American statements.

In Cancun, President Bush said that the U.S. will not involve itself in Mexico's elections and will respect the result. The U.S. government needs to repeat this message often and credibly because there are some in Mexico who do not believe that.

THE IMPORTANCE OF NORTH AMERICA AND THE SECOND DECADE AGENDA

Since the North American Free Trade Agreement (NAFTA) began to dismantle barriers twelve years ago, trade and investment has nearly tripled among the three countries of North America. Today, the first and second most important trading partners of the US and its two largest sources of energy imports are Canada and Mexico. In fact, the United States exports nearly twice as much to our two neighbors as it does to the 25-nation European Union, and nearly three times more than to Japan and China. North America, in brief, is no longer just a geographical expression. It has become the largest free-trade area in the world in gross product and territory. Today, people cross the two borders nearly 500 million times each year, and although the U.S. receives immigrants from almost every country, about 25 percent come from Mexico alone.

NAFTA succeeded in expanding trade. It failed because that was not enough. NAFTA was silent on the development gap separating Mexico and its two northern neighbors, and that gap has widened. It omitted immigration, and the number of undocumented Mexican workers in the United States leaped from about 1 to 6 million in the last decade. It didn't plan for market failures, such as the Mexican peso crisis, or even for success, for example, by building new roads and border crossings for additional traffic. Finally, North America has no credible institutions, and so on September 11, 2001, instead of forging a common response to terror, each country reverted to its habitual posture, with the United States acted unilaterally, virtually closing its borders, and Canada and Mexico retreating to their usual ambivalence.

Some proponents of NAFTA argued erroneously that free trade would reduce the flow of migrants, but the opposite happened because the development strategy implicit in NAFTA encourages foreign investment near the border, which serves as a magnet to attract labor from the center and the south of Mexico. Surveys suggest that roughly 90 percent of all Mexican illegal migrants do not come to the United States because they lack jobs; they have them. They seek higher wages. Illegal migration is unlikely to shrink until the income gap begins to narrow. None of the current proposals—walls, guest worker programs, more border patrol, and “regularization”—will solve the problem, and most could make it worse. Before passing a final immigration bill, Congress needs to ask if its individual components will achieve their goals because as they are currently written, most will not. The proposals will be ineffective except in offending our friends and uniting people with divergent interests on the issue of undocumented migration.

In Cancun, the three leaders hardly broached the long-term agenda of narrowing the development gap, building institutions, or forging transportation plans. They did repeat their intention to have a “smart, secure border” and encourage “energy security,” but there were no new proposals in either area. They proposed cooperation for “emergency management” and to respond to a pandemic. Finally, they proposed a Competitiveness Council composed of CEOs from large corporations to eliminate divergent regulations.

We need a strategy for reducing inefficient or unnecessary differences in regulations, but this should be done by a group representing a wider spectrum of interests than just CEOs, whose principal goal might be simply to eliminate regulations that affect their business. Regrettably, the three leaders did not address this wider agenda. Perhaps, they still fear re-opening a debate on NAFTA. Perhaps they felt their own political positions were too weak to offer bolder initiatives. Whatever the reason, the sad truth is that Cancun was a missed opportunity.

FORGING A NORTH AMERICAN COMMUNITY

It is time to stop debating NAFTA and start addressing the agenda for North America's second decade. We should begin by articulating a vision of a *North American Community* where each state recognizes that instability or recession in one affects the others, and each benefit from the others' success. When the value of a neighbor's house rises, this has a positive effect on the other homes. Transforming that vision into programs requires leadership, resources, institutions, and a plan.

The paramount challenge for North America is to close the income gap separating Mexico from its northern neighbors. The European Union demonstrated this could be done. From 1986–2003, the per capita GDP of the four poorest countries of the EU—Spain, Portugal, Greece, and Ireland—rose from 65% of the EU average to 82%. About half of the \$500 billion was spent poorly, but the investment in communications and roads that connected these countries to the richer markets worked. Spain received \$120 billion and spent much of it on new roads that carried goods north and tourists south. Spanish immigration almost ceased. Ireland became the second richest country, and for the first time in its history is receiving immigrants rather than sending them.

North America is different from Europe, but it should learn from the experience, and establish a *North American Investment Fund* that would invest \$20 billion per year for a decade to build roads to connect the south and center of Mexico to the United States. Mexico should provide half of the funds; the U.S., 40%, and Canada, 10%. The funds should be administered by the World Bank. To make best use of these resources, Mexico needs also to undertake fiscal, energy, electricity, and labor reforms. However, instead of making the aid conditional or waiting for Mexico to do the reforms, the three leaders should decide how each would contribute to the community's goal of narrowing the gap. This approach could give Mexico the leverage to undertake the reforms.

The North American Investment Fund would spend less than half as much as Europe did in half the time, but coupled with comprehensive reforms, it could propel Mexico's economy forward. The U.S. contribution over ten years would be about one-third of what it has spent in Iraq in the last three years, but in this case the U.S. economy would benefit. This fund won't end illegal migration overnight or even in 10 years, but unless something is done to reduce the income gap, illegal migration will increase. If Mexico grows at twice the rate of the U.S. and Canada, as would occur under this plan, the gap will close by 20 percent in a decade, and Mexicans will begin to think about their future in Mexico rather than plan for their exit north.

A community approach to narrowing the income gap would yield dividends in other areas. In a post-9/11 world, the best way to assure the security of North America is not at our borders with Canada and Mexico and not by defining "security" solely by fences, but rather by forging a consensus with our neighbors to build a *North American Security Perimeter*. Canadian, Mexican, and US officials would work together on the same team, sharing intelligence and using the same procedures and exclusion lists at every port of entry. This would supplement, not eliminate existing border protection.

To compete against China and India, the three leaders need to help North American businesses to become more efficient by *negotiating a Customs Union in five years*. This would eliminate costly "rules of origin" procedures and needless inspections, allowing officials to focus on drugs, terrorism, and illegal migration. The governments should also *stop imposing trade sanctions on each other*, and they should establish a *North American Regulatory Commission* to promote shared goals in health, the environment, and working conditions, while eliminating unnecessary regulatory differences. Such rules bar Americans from buying pharmaceutical products in Canada even if they're made in the United States.

Incredibly, the three leaders never asked their Transportation Ministers to develop a *continental plan for Transportation and Infrastructure*, and we pay a price for that oversight. Trucks still cannot cross the U.S.-Mexican border in either direction. When I asked a senior Mexican government official as to why this is the case, he answered that neither the U.S. nor the Mexican trucking industry wanted trucks to cross the border. I asked whether the Presidents of the United States and Mexico represent the trucking industries or their nations. If the latter, then they should know that the cost of moving a truck container across the Canadian border is \$19 while it is \$300 to cross the U.S.-Mexican border. [Eugenio Clariond Reyes, Chief Executive of Grupo Imsa, in David Hendricks, "Roadblocks to Cross-Border Trucking Still a Drag on U.S, Mexico," *San Antonio Express-News*, April 13, 2006.]

The three leaders should hold *annual summits*, but to make sure the meetings are not just photo-ops, a *North American Advisory Council* should be established. Unlike Europe's Commission, the Council should be lean, independent, and advisory—composed of five distinguished leaders from each of the three countries. It should prepare the agenda with proposals on North American transportation, the environment, and other issues. A *North American Education plan* should include funding for scholarships, research, and Centers for North American Studies. The Europeans provide about \$3 million each year to support 10 EU Centers in the U.S., but the three governments of North America provide no support for North American studies.

There is little prospect that these initiatives would be approved now. The United States is preoccupied by Iraq and embarrassing fiscal and trade deficits, which eclipse the entire Mexican gross product. Mexico is headed into national elections, and Canada has a minority government. But the question is not whether this plan is feasible, but whether it is desirable and will lead to a more secure and competitive North America.

The answer is that there is no investment that will improve the security and yield more economic benefits for the region than one that narrowed the income gap between Mexico and its neighbors. If a North American Investment Fund is not possible at this time, Congress should consider amending the immigration bill to estab-

lish a Commission to study alternatives for closing the income gap. It's time for our leaders to invest in the future rather than just react to crises.

A North American Community is an idea so compelling that it will, sooner or later, emerge as a frontier issue. It awaits leaders to begin the journey toward transforming it into plans and institutions that can redefine the possible. Bush, Fox, and Harper failed to seize the opportunity of Cancun, but that won't be the last time. Congress should join with your counterparts in Mexico and Canada to define the kind of bold proposals that would lift Mexico and make a North American Community a model for the world.

Mr. BURTON. Mr. Weller, we will start with you. Do you have any questions? Do you have any questions?

Mr. ENGEL. I do not have a question, but more or less a comment. It struck me that both of you are saying the same thing. Mr. Johnson, you said that our Government ought to do a better job in urging hemispheric neighbors, and this is your quote, "to ensure equal treatment of all citizens under the law to spread prosperity more broadly." And, Dr. Pastor, you said that as long as wages in this country are going to be eight-to-one with Mexico, people are going to want to come here.

It seems to me that this disparity in income is as great in Latin America as any place in the world and stems with all of the problems when we find different governments are electing populist candidates that may have an anti-American tinge in them that these people are able to tap into that feeling of inadequacy and lack of ever having a chance to make a decent wage.

So I think it is interesting that both of you, coming from your different ways, are really, in a sense, saying the same thing, and I commend you both for it.

Mr. PASTOR. If I may, I think you are absolutely right. This is the critical question, and I think Lopez Obrador's appeal is precisely because the poor people in Mexico and in many other countries have not seen progress in their lives, and the proposal that I suggest of a North American Investment Fund would build on the fact that NAFTA did work for that area of Mexico, the northern part of Mexico, most connected to the United States. Per capita income there grew 10 times faster than in the south of Mexico.

The problem in Chiapas is not NAFTA; it is the fact that NAFTA did not connect to the south, and an infrastructure fund could help do that, particularly if it was in the context of having the Mexican Government undertake the kinds of reforms that would use the resources more effectively.

Mr. BURTON. Thank you. Let me just comment on that, and then I will let you comment, Mr. Johnson.

I have been all over Central and South America. I have not been as far south as I want to yet, but we are going down there as quick as we can. The poverty problem that you allude to is extremely severe, and your solution sounds reasonable until you start thinking about how to create this fund that you are talking about. I would like to know more about this. I would like to see what you are talking about and what kind of money you are talking about because if you solve the problem, let us say, with Mexico, then you have to solve it with Central American countries, and then you have got to go further south. As long as you can get past the Panama Canal, you can get to the United States. So you are talking about a very

large amount of money to deal with the kind of poverty problems that exist.

What we tried to do with CAFTA was create incentives for people to go down there and create jobs through free trade and create investment, and I think that will work, but that is going to take a lot of time. So when you discuss this kind of a fund, I would like to see on paper what you are talking about, if you have got anything.

Why do not you respond, and then I will let Mr. Johnson respond?

Mr. JOHNSON. I wrote a long report describing in some detail exactly how this fund would work, and I would be very happy to give it to you and to the Committee as well. The short of it is that I think we need to make it work in Mexico first and not disburse it to all of the hemisphere. If we can narrow the income gap between Mexico and the United States, that model could be extended to the rest of the hemisphere. If we try to extend it all at once, we will dissipate scarce resources and not have any effect at all.

Mr. BURTON. I would like to see it. If you have got a very voluminous document, do not send it. If you do, send it with what I call "Henny Youngman one-liners" because we do not have any time up here to read great volumes of things. We try. That is what our staff is supposed to do. Let me get Mr. Johnson here. Mr. Johnson?

Mr. JOHNSON. I think Bob has some really good ideas, but I think the problem is with Mexico, and it goes on down the line all the way to almost Tierra del Fuego, and that is that institutional reforms really have to come first in order for investment to be worthwhile. So until certain things get through the Mexican Congress, which I hope that you could influence in your contacts through the Interparliamentary Union, then it is not going to help too much.

Mr. BURTON. Let me just say along those lines, that is why I asked for your guidance, both of you, and the Heritage Foundation. I appreciate anything that you can suggest, because this is a problem that is not going to go away or be solved within a week or 2. So if you have some ideas, send them to us and we will see if we can take them to the interparliamentary conferences that will take place and suggest them.

Any other comments? If not, we have got to run and vote. Go ahead.

Mr. PASTOR. In my testimony, I do summarize briefly, and I recommend that you might want to consider amending the immigration bill at some point just to have a commission explore the various alternatives that are out there in order to narrow this income gap because there is a lot that has been done. That will show the Mexicans that we understand this is a long-term problem, not just a short-term problem, and that we are willing to work with them to try to find a way to solve it as well.

Mr. BURTON. I am working on my own immigration reform bill right now, as probably are another 534 Members of the Congress. That is everybody, and any ideas you have, I would like to see so I can maybe incorporate some of them in my legislative proposal.

With that, thank you very much for being so patient and being with us today. I really appreciate it. We stand adjourned.

[Whereupon, at 4:53 p.m., the Subcommittee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

RESPONSES FROM THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE TO
QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE DAN BURTON, A REP-
RESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA, AND CHAIRMAN, SUB-
COMMITTEE ON THE WESTERN HEMISPHERE

Questions:

Finding U.S. trade opportunities commensurate with the market access we give up is of real importance if trade is to have intended benefits. Mexico is obligated by WTO and NAFTA agreements to issue import licenses for agreed upon Tariff Rate Quota (TRQ) sale of US Dairy products of various categories. This concerns the WTO TRQ of 120,000 Metric Tons for skim milk powder (HS codes 0402.10.01 and 0402.21.01), as well as the NAFTA TRQ of 57,030 Metric Tons for skim milk powder. As of yet, no licenses or milk products have been allowed this year.

1): Dairy exporters in the U.S. and importers in Mexico have already waited nearly a full four months to utilize their negotiated and permitted tariff rate quota access to Mexican markets for 120,000 metric tons of U.S. skim milk powder agreed to under WTO obligations and another 57,030 metric tons as part of Mexico's NAFTA commitments for market access of U.S. dairy products—all to be permitted in calendar year 2006 with time running out. Has the United States government and the Office of the United States Trade Representative formally urged Mexico to immediately make the import licenses available, given the sizable interest that the United States has in working with them?

2): What is the Office of the United States Trade Representative doing to ensure they comply with their dairy market access requirements under WTO and NAFTA? When was the last communication, government to government, on this matter and what else is planned?

3): What response, if any, has come from the government of Mexico regarding their substantial delay in making these licenses available preventing the agreed upon import access of U.S. dairy products to trade in their market?

Responses:

Responding to all three questions on skim milk dairy powder, USTR, USDA and officials at our Embassy in Mexico City have urged Mexico on many occasions over the last several weeks to immediately distribute the import licenses for skim milk powder. Most recently, USTR Chief Agricultural Negotiator Richard Crowder raised the matter with Mexico's Undersecretary of the Economy on May 24. USDA Undersecretary J.B. Penn will also raise the issue during his meetings in Mexico on June 9.

On all of these occasions, the U.S. government has made clear that Mexico is obligated to administer its import license program in a manner that does not act as an additional restriction on trade, and that further delay in issuing the licenses does call into question Mexico's compliance with its obligations.

Mexico responded by issuing import licenses for about half of the annual volume (21,000 metric tons) on May 31 to the major private importers. We understand from our industry that importers have already contacted suppliers in the U.S. We will continue to raise this issue with the relevant officials in the Mexican government to press Mexico to issue the remaining import licenses as soon as possible.

The NAFTA has helped make Mexico our largest market for dairy exports, setting a record of \$506 million for 2005 exports. Mexico alone accounted for over 30 percent of dairy exports last year, and dairy exports through March of 2006 have increased another 12 percent.

RESPONSE FROM MR. JOHN M. MELLE, DEPUTY ASSISTANT TRADE REPRESENTATIVE FOR NORTH AMERICA, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, TO QUESTION SUBMITTED FOR THE RECORD BY THE HONORABLE JERRY WELLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Question:

“What percent of our trade deficit with Mexico represents oil imports into the United States from Mexico since they are a primary supplier of the United States?”

Response:

Imports of mineral fuels and oils from Mexico accounted for 40.83% of our trade in goods deficit with Mexico in 2005, and is our largest sectoral deficit. For 2005, the total goods deficit was \$49.7 billion, of which \$20.3 billion was mineral fuels and oils.

[NOTE: The report submitted for the record titled “The Paramount Challenge for North America: Closing the Development Gap,” a project sponsored by the North American Development Bank, is not reprinted here but is available in Committee files.]

