

# Issue Brief for Congress

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## **Mexico-U.S. Relations: Issues for Congress**

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# CONTENTS

## SUMMARY

## MOST RECENT DEVELOPMENTS

## BACKGROUND AND ANALYSIS

### U.S.-Mexico Relationship

#### Major Bilateral Linkages

#### Fox Administration

##### Economic and Social Challenges

##### Political and Security Challenges

##### Foreign Policy Challenges

### Bilateral Issues for Congress

#### Trade Issues

##### Functioning of NAFTA Institutions

##### Recent Trade Disputes

#### Immigration Issues

##### Nature of the Immigration Problem

##### Clinton Administration and Congressional Initiatives to Curb Immigration

##### Bush Administration Initiatives

#### Drug Trafficking Issues

##### Nature of the Problem

##### Presidential Certifications and Congressional Reactions

#### Political and Human Rights Issues

##### Concerns over Elections and Political Rights

##### Allegations of Human Rights Abuses

## LEGISLATION

## FOR ADDITIONAL READING

### CRS Products

## Mexico-U.S. Relations: Issues for Congress

### SUMMARY

The United States and Mexico have a special relationship under the North American Free Trade Agreement (NAFTA), which removes trade and investment barriers between the countries. The friendly relationship has been strengthened by President Bush's meetings with President Fox. Major issues of concern to Congress are trade, immigration, drug trafficking, and political rights.

**Trade.** NAFTA institutions have been functioning, trade between the countries has tripled since 1994, and allegations of violations of labor and environmental laws have been considered. Although the Clinton and Bush Administrations have argued that NAFTA has had modest positive impacts on all three member countries, public and congressional criticisms of NAFTA have been factors in the delay until recently of legislation to give the president fast track trade negotiation authority. Recent trade disputes with Mexico have involved trucking, sweeteners, telecommunications, and tuna. President Fox has been urging an expanded European Union-like conception of NAFTA.

**Immigration.** Following major immigration reforms in 1996, Congress acted to enlarge the Border Patrol and to strengthen controls along the border. At the same time, the countries consulted regularly on border safety issues. In February 2001, Presidents Bush and Fox agreed to establish high-level talks to ensure safe, legal, and orderly migration flows between the countries, and several rounds of talks were held, chaired by Secretary of State Powell and Foreign Minister Castaneda. In the cabinet-level November 2002 Binational Commission meetings, country spokesmen once again reaffirmed the intention to pursue the high-level talks on migration issues.

**Drug Trafficking.** After the January 2001 escape from prison of a major drug lord, President Fox announced a national crusade against drug trafficking and corruption. During the February and September 2001 Bush-Fox meetings, the leaders agreed to strengthen law enforcement cooperation. U.S. officials praised Mexico's counter-narcotics efforts when the State Department issued the International Narcotics Control Strategy Report in early March 2002. Subsequently, Mexican authorities captured Mexican drug lord Benjamin Arellano-Felix on March 9, 2002, and confirmed the previous killing of his brother Ramon in a police shoot-out. The Foreign Relations Authorization for FY2003 (H.R. 1646), approved and signed into law (P.L. 107-228) in September 2002, permanently modifies the past drug certification requirements.

**Political and Human Rights.** Recent human rights concerns in Mexico focused on the killing of human rights lawyer Digna Ochoa on October 19, 2001, prompting calls for action. Subsequently, President Fox freed two anti-logging activists in November 2001, and a military critic in February 2002. President Fox also welcomed a report by the National Human Rights Commission on human rights violations in the 1970s and 1980s, and designated a special prosecutor in early 2002 to prosecute those responsible for the past abuses. On September 27, 2002, two generals already under arrest on drug trafficking charges, and a major were charged with homicide for the killing of 143 people in the 1970s.

## MOST RECENT DEVELOPMENTS

*On November 2, 2002, a military court convicted two Mexican army generals of protecting drug shipments for accused drug lord Amado Carillo Fuentes. On November 22, 2002, new U.S. Ambassador Tony Garza presented his diplomatic credentials to President Fox. During the cabinet-level Binational Commission meetings in Mexico City, on November 25-26, 2002, Secretary of State Powell and Foreign Secretary Castaneda reaffirmed the importance of the relationship between the countries and indicated the intention to continue talks toward a migration agreement. Mexico indicated concern with the impending reduction of tariffs on sensitive agricultural products, and the United States indicated concern about Mexico's continuing failure to provide water in South Texas as required by the 1944 treaty. On November 27, 2002, with safety inspectors and procedures in place, the Bush Administration announced that it would begin the process that will open U.S. highways to Mexican truckers and buses, but opponents went to court in early December 2002 to block the action.*

## BACKGROUND AND ANALYSIS <sup>1</sup>

### **U.S.-Mexico Relationship**

#### **Major Bilateral Linkages**

Mexico surpassed Japan in 1999 to become the United States' second most important trading partner following Canada. It is also one of the leading countries in Latin America in terms of U.S. investment, with total stock of investment of about \$35 billion in 2001. In addition, cooperation with Mexico is vital in dealing with illegal immigration, the flow of illicit drugs to the United States, and a host of border issues.

The United States is Mexico's most important customer by far, receiving about 87% of Mexico's exports, including petroleum, automobiles, auto parts, and winter vegetables, and providing about 77% of Mexico's imports. The United States is the source of over 60% of foreign investment in Mexico, and the primary source of important tourism earnings.

Until the early 1980s, Mexico had a closed and statist economy and its independent foreign policy was often at odds with the United States. Beginning under President Miguel de la Madrid (1982-1988), and continuing more dramatically under President Carlos Salinas de Gortari (1988-1994) and President Ernesto Zedillo (1994-2000), Mexico adopted a series of economic, political, and foreign policy reforms. It opened its economy to trade and investment, adopted electoral reforms that leveled the playing field, and increased cooperation with the United States on drug control, border issues, and trade matters.

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<sup>1</sup> This issue brief draws from CRS Issue Brief IB10047, *Mexico-U.S. Relations: Issues for the 106<sup>th</sup> Congress*, which contains more information on the Zedillo Administration in Mexico. It is out of print but may be requested from the author, Larry Storrs, at (202) 707-5050.

Cooperation under NAFTA and the annual cabinet-level meetings of the Binational Commission are the clearest indications of the growing ties between the countries.

## **Fox Administration**

Vicente Fox of the conservative Alliance for Change was inaugurated as President on December 1, 2000, for a 6-year term, promising to promote free market policies, to strengthen democracy and the rule of law, to fight corruption and crime, and to end the conflictive situation in the state of Chiapas. Fox's inauguration ended 71 years of presidential control by the long dominant party.

Fox was elected with 42.52% of the vote in the July 2, 2000 elections, with support from the conservative National Action Party (PAN) and the Green Ecological Party of Mexico (PVEM), which formed the Alliance for Change. Francisco Labastida from the long-ruling and centrist Institutional Revolutionary Party (PRI) came in second with 36.10% of the vote. Cuauhtemoc Cardenas from the leftist Alliance for Mexico came in third with 16.64% of the vote, with support from the center-left Party of the Democratic Revolution (PRD) and four minor leftist parties.

Results from the July 2000 legislative elections produced a pluralistic legislature where none of the major parties has a majority in either chamber. In the 128-member Senate, the PRI has 60 senators, the PAN has 46, and the PRD has 15; while in the 500-seat Chamber of Deputies, the PRI has 211 deputies, the PAN has 206, and the PRD has 50. (For more detail on the 2000 elections, see CRS Report RS20611, *Mexico's Presidential, Legislative, and Local Elections of July 2, 2000*, by K. Larry Storrs.)

**Economic and Social Challenges.** Mexico has suffered from the effects of the slowdown in the United States, temporarily declining oil prices, and the decline in tourism following the September 2001 terrorist attacks. With over 80% of the country's exports going to the United States, Mexico's economy contracted 0.8% in 2001 and is projected to grow modestly (1.4%) in 2002, dependent upon recovery in the United States, despite economic growth averaging over 5% in the previous six years. President Fox was forced to cut the 2001 government budget three times to compensate for a \$1.4 billion shortfall in expected government receipts, and he proposed an austere budget for 2002. With no party having a majority in Congress, a patchwork version of the tax and fiscal reform was passed at the end of the year, significantly reducing the anticipated resources to be devoted to health and education. Facing continuing opposition in Congress, many observers wonder if Fox will be able to obtain approval of major legislation, including a proposed energy reform that would permit greater private participation in the hydrocarbon and electricity sectors.

**Political and Security Challenges.** President Fox has promised to end corruption and to operate a more transparent and open government, with examination of some of the more notorious past cases. He has promised to end government surveillance of opposition politicians, and to strengthen the government's commitment to human rights. He has proposed the professionalization of the police under a new public security ministry to deal with widespread public concerns with security and police corruption, and he has promised vigorous efforts against illicit drug traffickers.

President Fox took several steps in 2001 to end the unresolved situation in Chiapas, including the introduction of indigenous rights legislation, withdrawal of the military from some areas, and release of over 30 Zapatista prisoners. However, when the Mexican Congress passed a modified version of the indigenous rights legislation, the Zapatistas denounced the legislation as inadequate and withdrew from any dialogue with the government.

**Foreign Policy Challenges.** President Fox and Foreign Minister Castaneda have indicated that Mexico will pursue a more activist and diversified foreign policy, with greater involvement in UN activities, and stronger ties to Latin America and Europe. President Fox has promoted the so-called Puebla-Panama Plan, which would provide for cooperative development efforts among the Central American countries and the southeastern states of Mexico. He is reviving the G-3 group (Colombia, Venezuela, and Mexico), seeking better ties with the Southern Common Market (Mercosur) countries in South America, and he has sought to expand trade with the European Union under the EU-Mexico Free Trade Agreement that went into effect in July 2000. Mexico holds a seat on the U.N. Security Council, and has played a stronger role in the United Nations' Human Rights Commission. On April 19, 2002, Mexico, for the first time, voted in the Commission to censure Cuba, and on April 22, 2002, Cuban President Castro strongly criticized President Fox for pressuring him to leave the international conference in Monterrey early.

On various occasions, President Fox has indicated that he expects to have warm and friendly relations with the United States, and he has called for greater cooperation under NAFTA and for a more open border between the countries over time. He also indicated that he will be aggressive in defending the interests of Mexicans living abroad and established a Special Office for Mexicans Abroad. In 2001, Presidents Fox and Bush met in mid-February in Mexico, in mid-April in Canada, in early May in the United States, in early September in the United States on an official state visit, and in early October in the United States when President Fox expressed solidarity with the United States following the terrorist attacks. In 2002, the Presidents met on March 22 in Monterrey, Mexico, following the U.N. conference on development, and on October 26 in Los Cabos, Mexico, at the Asia-Pacific Economic Cooperation (APEC) summit. The leaders have been discussing trade, migration, drug trafficking, and other issues. On August 14, 2002, President Fox cancelled his August 26-28 trip to Texas and his meeting with President Bush in Crawford to protest the execution by Texas authorities of convicted police killer Javier Suarez Medina despite Mexican claims that he was a Mexican citizen and was never afforded Mexican consular assistance.

## **Bilateral Issues for Congress**

### **Trade Issues**

Trade between Mexico and the United States has grown dramatically in recent years, encouraged by the adoption of the North American Free Trade Agreement (NAFTA) between the United States, Mexico, and Canada. Total U.S. trade with Mexico increased from \$81.5 billion in 1993 (exports of \$41.6 billion; imports of \$39.9 billion) to \$247.2 billion in 2000 (exports of \$111.3 billion; imports of \$135.9 billion) and declined slightly to \$232.9 billion in 2001 (exports of \$101.5 billion; imports of \$131.4 billion). However, the U.S. trade

balance with Mexico has shifted from a surplus of \$1.3 billion in 1994 to a generally growing deficit of \$29.9 billion in 2001, in part because of the late 1994 devaluation of the peso which made Mexican products cheaper. This change in the trade balance has caused some Members of Congress to question the benefits of NAFTA. Despite the deficit, Mexico is one of the fastest growing export markets for the United States in recent years, and it became the second most important trading partner after Canada in 1999.

The NAFTA agreement was negotiated in 1991 and 1992; side agreements on labor and environmental matters were completed in 1993; the agreements were approved by the respective legislatures in late 1993 and went into force on January 1, 1994. Under the agreements, trade and investment restrictions are being eliminated over a 15 year period, with most restrictions eliminated in the early years of the agreement. On July 11, 1997, the Clinton Administration released a required report on the first 3 years of operations under NAFTA that argued that NAFTA had had a modest positive impact on U.S. jobs and income, and had facilitated Mexico's economic recovery following the peso crisis of 1994-1995. In subsequent statements, Clinton and Bush Administration spokesmen argued that NAFTA has been successful in increasing U.S. exports to Mexico, particularly heavily protected areas such as agricultural products, and in creating jobs and strengthening the economy.

**Functioning of NAFTA Institutions.** Since 1994, the NAFTA institutions mandated by the agreements have been functioning. The tripartite Commission on Environmental Cooperation (CEC) was established in Montreal, Canada; and the Commission for Labor Cooperation (CLC) was established in Dallas, Texas. In addition, the bilateral Border Environment Cooperation Commission (BECC), located in Ciudad Juarez, Mexico; and the North American Development Bank (NADBank), headquartered in San Antonio, Texas, were created to promote and finance border environment projects along the U.S.-Mexico border. During the Bush-Fox talks in Monterrey, Mexico, on March 22, 2002, the two presidents agreed to propose to the respective congresses a broadening of the mandates of the NADBank and the BECC to extend financing for environmental infrastructure along the border.

The NAFTA institutions have operated to encourage cooperation on trade, environmental and labor issues, and to consider non-governmental petitions under the labor and environmental side agreements. Under the **labor** side agreement, 23 petitions have been submitted alleging non-compliance by one of the NAFTA countries with existing labor legislation, and 14 of these have been against Mexico: five submissions were advanced to the next stage of ministerial consultations, although negotiations are ongoing in two cases; two submissions were essentially dropped on grounds that the workers who were fired in Mexico accepted severance pay; two submissions were withdrawn, in one case when Mexico recognized a union just before a scheduled hearing; one submission was rejected on procedural grounds, although a study on reconciliation of the right to strike and national interests was initiated; and one submission is pending.

In one case advanced to ministerial consultation, involving the dismissal of workers for union organizing activities at a SONY electronics plant in Nuevo Laredo, Mexico, the labor ministers agreed to a plan of action including meetings with the affected workers, public seminars, and studies of union registration procedures. In the case of alleged discrimination against pregnant Mexican workers in border assembly (maquiladora) plants, ministerial consultations led to an implementation agreement and a conference on the rights of working

women. With regard to the union association and health and safety issues in the Han Young maquiladora plant in Tijuana and the Itapsa maquiladora plant in the state of Mexico, ministerial consultations were held and negotiations are continuing.

Under the trilateral CLC, the countries are cooperating in many areas, especially occupational safety and rights of working women and children. Some argue that the provisions have encouraged Mexico to enforce its own labor legislation. Others argue that the provisions have been extremely weak and that numerous abuses persist. (For more information on the functioning of this institution, see CRS Report 97-861, *NAFTA Labor Side Agreement: Lessons for the Worker Rights and Fast-Track Debate*, by Mary Jane Bolle.)

Under the **environmental** side agreement, 26 petitions have been submitted alleging non-compliance with environmental legislation, but only 9 of these have involved Mexico: in the major case involving the environmental impact of the construction of a cruise boat port in Cozumel, Mexico, the Council requested a response from the Mexican government and after evaluation directed the CEC Secretariat to prepare a full factual record on the case to highlight deficiencies; in two cases involving pollution of the Magdalena River and Lake Chapala the Council is reviewing the response from the Mexican government; in three recent cases the Council has requested responses from the Mexican government; in another case the complaint is still being reviewed; and another case was rejected on grounds that it did not allege a violation of environmental law. The CEC is cooperating on many environmental projects, including the North American Bird Conservation Initiative to protect birds and conserve bird habitats; the Upper San Pedro River Initiative to protect this Sonora-Arizona eco-system that is an important corridor for millions of migratory birds; and the Sound Management of Chemicals Project to dramatically reduce the use of PCBs, DDT, chlordane, mercury, and other pollutants. (For more information, see CRS Report 97-291, *NAFTA: Related Environmental Issues and Initiatives*, by Mary Tiemann.)

**Recent Trade Disputes.** The major trade disputes between the countries involve the access of Mexican trucks to the United States, opening the Mexican telecommunications sector to international long distance competition, the access of Mexican sugar and tuna to the U.S. market, and the access of U.S. sweeteners to the Mexican market.

With respect to trucking issues, the Mexican government objects to the United States failure to allow Mexican trucks to have access to U.S. highways under the terms of the NAFTA pact, and a NAFTA dispute resolution panel supported Mexico's position in February 2001. President Bush indicated a willingness to implement the provision, but the U.S. Congress required additional safety provisions in the FY2002 Department of Transportation Appropriations Act (P.L. 107-87). On November 27, 2002, with safety inspectors and procedures in place, the Administration announced that it would begin the process that will open U.S. highways to Mexican truckers and buses, but environmental and labor groups went to court in early December to block the action.

Regarding telecommunications issues, the United States filed a complaint with the WTO in August 2000, following previous warnings, over Mexico's failure to reduce Telmex's continuing dominant position in the telecommunications industry. A late December 2000 agreement between Telmex and rival carriers Alestra and Avantel, under which Telmex agreed to lower interconnection fees, was said to reduce the likelihood that the United States would pursue the complaint with the WTO. However, the USTR's April

2001 report on telecommunication trade barriers cited Mexico for continued failure to open its long-distance market to competition, and in mid-February 2002, it requested a WTO dispute resolution panel to rule on the U.S. complaint. It was announced in late August 2002 that the WTO panelists had been appointed.

With regard to sugar and sweetener issues, Mexico argues that it is entitled to ship its net sugar surplus to the United States duty free under NAFTA, while the United States argues that a sugar side letter negotiated along with NAFTA limits Mexican shipments of sugar. Mexico also complains that imports of high fructose corn syrup (HFCS) sweeteners from the United States constitute dumping, and it continues to impose anti-dumping duties, even though NAFTA and WTO dispute resolution panels have upheld U.S. claims that the Mexican government has colluded with the Mexican sugar and sweetener industries to restrict HFCS imports from the United States. In the last days of 2001, the Mexican Congress imposed a 20% tax on soft drinks made with corn syrup sweeteners to aid the ailing domestic cane sugar industry, but President Fox suspended the duties until September 30, 2002, in part because of U.S. objection to the tax and the devastating impact on HFCS and corn sales from the United States. In late November 2002, the two sides were said to be moving toward a solution that would allow 300,000 tons of Mexican sugar to enter the United States duty-free in exchange for the same amount of U.S. HFCS entering Mexico without duties.

On tuna issues, the United States lifted the embargo on Mexican tuna in April 2000, after procedures were worked out to permit the unharmed release from nets of dolphins. However, a federal judge in San Francisco blocked the Clinton Administration's plan to loosen the standards of a 1990 law for a dolphin-safe label, saying that the standards of the law had not been met. While the Administration appealed the case, the Federal Appeals Court in San Francisco ruled unfavorably on July 23, 2001, prompting criticism from Mexican fishers who had hoped to be rewarded for their efforts.

With respect to other issues, both countries have alleged dumping of beef and cattle; Mexico has alleged U.S. dumping of apples, cotton, and sorghum; and the United States has alleged Mexican dumping of tomatoes and steel, although many of these complaints have been resolved to some extent. Mexico as a NAFTA partner was exempted from the Bush Administration's imposition of temporary safeguard tariffs on steel in March 2002. The United States has also claimed that Mexican sanitary standards have posed barriers to U.S. exports, and that Mexico's lax enforcement has permitted widespread piracy of recording and software products. Mexico has objected to U.S. sanctions against third countries with investments in Cuba under the Cuban Liberty and Democratic Solidarity Act of 1996, commonly called the Helms-Burton legislation. In early October 2002, the U.S.-Mexico working group on agriculture dealt with major agricultural issues, including Mexico's recent anti-dumping decisions on apples, rice, swine, and beef, and safeguard actions on potatoes.

## Immigration Issues

**Nature of the Immigration Problem.** The Immigration and Naturalization Service (INS) has estimated that there were about 2.7 million undocumented Mexican migrants residing in the United States in late 1996, accounting for 54% of the total estimated illegal alien population of 5.1 million, but preliminary data from the 2000 Census suggest considerably higher numbers. Mexico regularly expresses concern about alleged abuses

suffered by Mexican workers in the United States, and takes the view that the migrants are “undocumented workers,” not illegal immigrants, making the point that since the U.S. market attracts and provides employment for the migrants, it bears some responsibility. Mexico also regularly voices concern for the loss of life and other maladies suffered by Mexican migrants as they are forced by increasing border controls to utilize increasingly dangerous routes and methods to enter the United States without proper documentation.

Mexico benefits from illegal migration in at least two ways: (1) it is a “safety valve” that dissipates the political discontent that could arise from higher unemployment in Mexico; and (2) it is a source of remittances by workers in the United States to families in Mexico, ranging, according to widely varying estimates, from \$1 billion to \$10 billion.

The main U.S. mechanism for controlling illegal immigration in the past was the Immigration Reform and Control Act of 1986 (P.L. 99-603), which was passed by Congress in late 1986. Main provisions of the Act include civil and criminal penalties for U.S. employers who knowingly hire undocumented workers; increased border control and enforcement measures; anti-discrimination safeguards; provision for amnesty or legalization for illegal aliens who resided continuously in the United States before 1982; and a special legalization for farm workers previously employed on American farms.

In the face of criticisms that illegal aliens deprive American citizens of jobs and are a growing burden on the educational, health, and welfare resources of certain states, recent Administrations sought to control illegal immigration to protect U.S. borders and to preserve the program of legal immigration. Suits by the most affected states (California, Florida, Texas, and Arizona) against the federal government, and the passage in California in late 1994 of Proposition 187, which sought to deny health and educational benefits to illegal aliens, stimulated additional state and federal legislative proposals. Mexican authorities strongly criticized passage of Proposition 187, even though it was blocked by subsequent court action, and other restrictive immigration legislation as racist and discriminatory.

#### **Clinton Administration and Congressional Initiatives to Curb Immigration.**

The Clinton Administration sought to control illegal entry into the United States with improved technology and additional Border Patrol agents and INS inspectors, using a strategy known as “prevention through deterrence,” modeled upon two border initiatives, Operation Hold the Line in the El Paso area and Operation Gatekeeper in the San Diego area. With regard to bilateral cooperation with Mexico under Clinton, the countries formalized consultations through the Border Liaison Mechanisms, issued a Binational Study on Migration in 1997 that found that unauthorized migration carries costs for both countries, and pursued a Border Safety Campaign in recent years to reduce violence on the border through public information campaigns, search and rescue programs, and cooperation between U.S. and Mexican officials. In mid-May 2000, following expressions of concern over private ranchers detaining Mexican migrants in Arizona, the governments announced at the Binational Commission meetings that they would prosecute any unlawful behavior by private citizens, combat migrant smugglers, and expand regular consultation mechanisms.

Congress passed two major immigration reform measures in 1996 to control illegal immigration and to limit the eligibility of aliens for federal programs. One was the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, Division C of the Omnibus Consolidated Appropriations Act for FY1997 (H.R. 3610/P.L. 104-208). The other was the

1996 welfare law entitled the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (H.R. 3734/P.L. 104-193). The first measure sought to control illegal immigration by adding 1,000 Border Patrol agents per year for 5 years (FY1997-FY2001), along with additional personnel, equipment, and procedures. Both measures reduced the attractiveness of immigration by restricting the eligibility of aliens for federal programs. (See CRS Report 95-881, *Immigration Legislation in the 104th Congress*, by Joyce Violet, et al.)

Congress also increased funding for the Immigration and Naturalization Service, including the Border Patrol, through the regular Commerce, Justice, State, and Judiciary Appropriations Acts, more than tripling INS's budget from \$1.5 billion in FY1993 to \$6.2 billion in FY2002. (For more details, see CRS Report RS20908, *Immigration and Naturalization Service's FY2002 Budget*.) With various groups, including the AFL-CIO in February 2000, calling for amnesty for illegal immigrants in the United States and a more lenient immigration policy, legislation was enacted in 2000 to increase the number of temporary H-1B professional workers, and Congress considered measures to increase the number of H-2A agricultural workers and to legalize the status of undocumented aliens through registry and various forms of amnesty. (See the following CRS reports by Ruth Ellen Wasem: CRS Report RL30780, *Immigration Legalization and Status Adjustment Legislation*, and CRS Report RL30852, *Immigration of Agricultural Guest Workers: Policy, Trends, and Legislative Issues*.)

**Bush Administration Initiatives.** When President Bush met with President Fox in mid-February 2001, migration issues were among the main topics, with Mexican officials expressing concern about the number of migrants who die each year while seeking entry into the United States. President Fox has been pressing proposals for legalizing undocumented Mexican workers in the United States through amnesty or guest worker arrangements as a way of protecting their human rights. In the Joint Communique following the Bush-Fox meeting, the two presidents agreed to begin at the earliest opportunity cabinet-level negotiations aimed at achieving short- and long-term agreements to constructively address migration and labor issues between the countries. Several months later, on May 25, 2001, President Bush telephoned President Fox to express condolences for the recent deaths of 14 Mexican migrants in the Arizona desert, and both leaders reaffirmed their commitment to enhance safety along the border and to continue to make progress on migration issues. Press reports suggested that proposals to regularize the status of Mexican workers in the United States were being considered by the Administration and by Congress, but President Bush has indicated that blanket amnesty will not be proposed.

During the opening day of President Fox's official visit to Washington, D.C., in early September 2001, he called for the two governments to reach agreement on migration proposals by the end of the year. The Joint Communique at the end of the meeting called for the countries to reach agreement as soon as possible on a range of issues, including border safety, a temporary worker program, and the status of undocumented Mexicans in the United States. However, following the September 2001 terrorist attacks, some policy makers called for tighter border controls. On October 29, 2001, President Bush issued a presidential directive calling for measures to improve the tracking of terrorists, to review student visa policies, and to better coordinate the sharing of immigration and customs information with Mexico and Canada.

During the Bush-Fox meeting in Monterrey, Mexico, on March 22, 2002, the Presidents noted that important progress had been made to enhance migrant safety, and they agreed to continue the cabinet-level talks launched in earlier meetings to achieve safe, legal, and orderly migration flows between the countries. In the press conference, President Bush called for passage of legislation to extend the period for adjustment to legal status of undocumented persons under Section 245(i) of the immigration act. The Presidents also announced a U.S.-Mexico Border Partnership Action Plan with greater cooperation and technological enhancements at the border and a "Partnership for Prosperity" Action Plan with public-private initiatives to promote domestic and foreign investment in less developed areas of Mexico with high migration rates. During the cabinet-level Binational Commission meetings in Mexico City, on November 25-26, 2002, Secretary of State Powell and Foreign Secretary Castaneda reaffirmed the intention to continue talks toward a migration agreement.

During the 107<sup>th</sup> Congress, most action focused on strengthening border security and alien admission and tracking procedures through the USA Patriot Act of 2001 (P.L. 107-56), and the Enhanced Border Security and Visa Entry Reform Act of 2002 (P.L. 107-173). With a similar security focus, the Homeland Security Act of 2002 (P.L. 107-296), incorporated the INS/Border Patrol, Customs, and other agencies into the new Department of Homeland Security.

## Drug Trafficking Issues

**Nature of the Problem.** Mexico remains a major supplier of heroin, methamphetamine, and marijuana, and the transit point for more than one half of the cocaine sold in the United States. Although U.S.-Mexico counter-narcotics efforts have been marked by distrust at times, relations have been improving in recent years. Responding to U.S. criticisms of widespread corruption, Mexican officials point to the policemen and soldiers killed in confrontations with narcotics traffickers as evidence of their commitment to controlling the problem. They also criticize U.S. officials for failing to do more to control U.S. demand for drugs, noting that the problem is one of supply and demand.

**Presidential Certifications and Congressional Reactions.** In general, the Clinton Administration's drug control policy in the domestic area stressed drug treatment and prevention, and in the international area it devoted more attention to eradication and source country institution building, particularly law enforcement and judicial institutions.

Under recent pressure from Congress, through mechanisms like the Western Hemisphere Drug Elimination Act and the Supplemental FY1998 Appropriations Act, additional funding was provided to strengthen the Border Patrol and international interdiction efforts, including \$90 million in Southwest Border enhancements. In other actions, congressional resolutions to disapprove President Clinton's certification of Mexico as fully cooperative in drug control efforts were introduced in 1997, 1998, and 1999, in both houses but never fully enacted. In 1999, Congress passed the Foreign Narcotics Kingpin Designation Act, Title VIII of the Intelligence Authorization Act for FY2000 (H.R. 1555/P.L. 106-120), which strengthened the President's authority under the International Emergency Economic Powers Act (IEEPA) to block the assets in the United States of designated international drug traffickers (six well known Mexican drug lords were designated in June 2000, and a large number of derivative or Tier-II designees were named in January 2002). In early 2000, while some Members of Congress criticized Mexico's counter-drug efforts,

no resolutions of disapproval were introduced in either house to overturn President Clinton's certification of Mexico. Following the July 2000 election of Vicente Fox as President of Mexico, bills were introduced but not enacted to exempt Mexico from the drug certification requirements or to modify the requirements. (For details, see CRS Report 98-174, *Mexican Drug Certification Issues: U.S. Congressional Action, 1986-2001*.)

President Bush certified, on March 1, 2001, as previous presidents had done, that Mexico had been a fully cooperative country in efforts to control drug trafficking. He cited the arrest of two key members of the Tijuana-based Arellano Felix Organization, aggressive eradication programs, and growing cooperation with the United States by the new Fox Administration. President Fox came to office pledging to attack corruption and drug trafficking, and he renewed that pledge in January 2001 following the escape from a high security prison in the state of Jalisco of reputed Mexican drug lord Joaquin "El Chapo" Guzman. The Fox administration has fired many customs and anti-drug agents for corruption and has permitted the extradition of Mexican drug lords to the United States for prosecution following a favorable decision by the Mexican Supreme Court in January 2001, although the Supreme Court ruled in October 2001 that life imprisonment is unconstitutional and a bar to extradition for fugitives facing that penalty in another country.

In presidential meetings, Presidents Bush and Fox have agreed to enhance law enforcement and counter-narcotics cooperation, and President Fox has called for reform of the U.S. drug certification process. The Senate Foreign Relations Committee reported out S. 219 in April 2001 and S. 1401 (Foreign Relations Authorization for FY2002-FY2003) with similar language in August 2001 to modify the drug certification process, require designation of the countries subject to sanctions only, and encourage development of a multilateral strategy. Lacking action on these measures, the drug certification requirements were temporarily modified in late 2001 by enactment of the Foreign Operations Appropriations Act for FY2002 (H.R. 2506/P.L. 107-115). This measure waived the drug certification requirements for FY2002 and required the President to designate only countries that had demonstrably failed to meet international counter-narcotics obligations. (For details on the various measures, see CRS Report RL30892, *Drug Certification Requirements and Congressional Modifications in 2001-2002*; and CRS Report RL30950, *Drug Certification Procedures: A Comparison of Current Law to S. 219 and S. 1401 as Reported*, by K. Larry Storrs.)

The Bush Administration's overall drug control policy, as articulated in February 2002, seeks to prevent drug use before it starts through education and community action, to provide adequate treatment resources for drug users, and to disrupt the marketplace for drugs at home and abroad through eradication, interdiction, and anti-money-laundering activities. According to the State Department's March 2002 International Narcotics Control Strategy Report, Mexico remains a major supplier of heroin, methamphetamine, and marijuana, and the transit point for more than one-half of the cocaine sold in the United States. The report stated that Mexico's efforts have resulted in tangible successes against the three major drug cartels in the country – the Arellano Felix Organization (AFO), the Carrillo Fuentes Organization (CFO), and the Gulf Cartel. It also noted that the Fox Administration sustained the aggressive eradication program carried out by past administrations and increased the quantities of drugs seized. On March 9, 2002, Mexican authorities announced the arrest of drug lord Benjamin Arellano-Felix and the killing of his brother Ramon Arellano Felix in a police shoot-out a month earlier, although some reports suggest that he was killed by rival

drug gangs, not the police. On March 14, 2002, the authorities announced the arrest of Manuel Herrera Barraza, another key figure in the Arellano Felix organization. (For more information, see CRS Report RL31412, *Mexico's Counter-Narcotics Efforts under Fox, December 2000 to April 2002*, by K. Larry Storrs.)

During the Bush-Fox meeting in Monterrey, Mexico in March 2002, the Presidents acknowledged “major successes achieved by Mexico in the fight against narco-trafficking” and agreed on “the importance of redoubling judicial cooperation” between the countries. On May 26, 2002, Jesus Albino Quintero Meraz and six associates in the Juarez drug cartel were arrested in Veracruz, marking another counter-narcotics success. On June 28, 2002, U.S. Drug Czar John Walters visited Mexico City and praised Mexico’s counter-narcotics efforts.

In September 2002, Congress passed and the President signed the Foreign Relations Authorization for FY2003 (H.R. 1646/P.L. 107-228), with Section 706 of the Act dealing with International Drug Control Certification Procedures. Drawing from S. 1401, the new procedures require the President to make a report, not later than September 15 of each year, identifying the major drug transit or major illicit drug producing countries. At the same time, he is required to designate any of the named countries that has “failed demonstrably,” during the previous 12 months, to make substantial efforts to adhere to international counter-narcotics agreements (defined in the legislation) and to take other counter-narcotics measures. U.S. assistance would be withheld from any designated countries unless the President determines that the provision of assistance to that country is vital to the national interest of the United States or that the designated country subsequently made substantial counter-narcotics efforts.

Notwithstanding the general suspension of the previous drug certification and sanctions procedures, subsection 706(5)(B) provides that the President may apply those procedures at his discretion. In short, Section 706 requires the President to designate and withhold assistance from the worst offending countries (those that have “failed demonstrably” to make substantial counter-narcotics efforts). It also permits the President to use his discretion to maintain a higher standard and to withhold assistance and apply other sanctions against countries that are failing to cooperate fully with the United States in counter-narcotics efforts whenever he determines that such actions would be helpful. A transition rule provides that for FY2003, the required report must be submitted at least 15 days before foreign assistance funds are obligated or expended.

## **Political and Human Rights Issues**

**Concerns over Elections and Political Rights.** Over the years, major attention has focused on the fairness of elections in Mexico since the Institutional Revolutionary Party or PRI controlled the presidency until 2000, all gubernatorial posts until the 1990s, and had solid control of the two chambers of the Mexican Congress until 1997, although the PAN had made progress in capturing control of major cities for several decades.

Following the controversial July 1988 presidential election, President Salinas proposed and Congress enacted three electoral reforms. In subsequent years, opposition governors were elected in several states, and nationwide mid-term legislative elections in August 1991 were considered to be generally fair. Presidential and legislative elections were held under

peaceful conditions on August 21, 1994, with Ernesto Zedillo of the long ruling PRI winning the presidency with 50.18% of the valid votes. In subsequent local elections, the opposition PAN won governorships in many states, particularly in the period following the 1995-1996 period of financial crisis and austerity.

In late July 1996, the parties agreed on major electoral reforms for the July 1997 legislative and local elections. These included the direct election of the mayor of the Mexico City Federal District, access to the media, and controls on campaign spending. On July 6, 1997, Mexico held nationwide midterm legislative elections along with gubernatorial contests in 6 states and the first direct election of the Mayor of the Mexico City Federal District. Although the Zedillo-supported PRI remained the single largest party, it lost its long-held majority in the Chamber of Deputies, it lost the two-thirds majority in the Senate, it lost two of the six governorships, and it lost the all-important race for Mayor of Mexico City. This prompted observers to suggest that the system was becoming more pluralistic and that passage of legislation would require more negotiation among the parties.

In the period leading to the July 2000 elections, former Government Minister Francisco Labastida was selected as the candidate of the PRI in an open nation-wide primary. Efforts by the PAN and the PRD to agree on a common candidate for the opposition came to an impasse, and former Governor of Guanajuato Vicente Fox was designated as the presidential candidate for the PAN, and former mayor of the Mexico City Federal District Cuauhtemoc Cardenas was designated as the presidential candidate for the PRD. On July 2, 2000, Vicente Fox of the Alliance for Change (PAN/PVEM) was elected President with 42.52% of the vote, marking the first election of a president from an opposition party in 71 years and erasing many doubts about the fairness of elections. (For more detail, see CRS Report RS20611, *Mexico's Presidential, Legislative, and Local Elections of July 2, 2000*, by K. Larry Storrs.)

In subsequent elections, a coalition of opposition parties (PAN, PRD, etc.) won the governorship in the state of Chiapas in August 2000, the PRI won a majority in municipal and state legislature elections in the state of Veracruz in September 2000, the PRI won a governorship in disputed elections in the state of Tabasco in October 2000 (subsequently annulled by the Federal Electoral Tribunal), and the PAN won a governorship in a close race in the state of Jalisco in November 2000. After intervention by the Federal Electoral Tribunal to ensure the neutrality of the State Electoral Council in Yucatan, the candidate of the PAN-PRD coalition won the governorship of Yucatan in June 2001. The PRI won the governorship in Tabasco in the re-run election in August 2001, ending a string of PRI defeats in southern states.

In subsequent elections, on July 1, 2001, the PRI won control of the state legislature and most municipalities in the state of Chihuahua but initially lost to the PAN in a disputed mayoral election in the major border city of Ciudad Juarez. On July 8, 2001, the PAN demonstrated continuing dominance in Baja California, winning the governorship, 4 of 5 mayoral races, and 14 of 16 seats in the state legislature. On November 11, 2001, PRD candidate Lazaro Cardenas, the scion of a famous family, won the gubernatorial election in the bastion state of Michoacan. The election in Ciudad Juarez was subsequently annulled by the Federal Electoral Tribunal on grounds that the PAN had illegally run political campaign ads in El Paso, Texas, on the U.S. side of the border. The re-run of the election was held on May 12, 2002, with many observers looking to the election for signs of the strength of the PAN and the PRI under new leadership in the period leading up to the mid-

term congressional elections in July 2003. Although the official results showed the PAN winning the election again, the State Electoral Tribunal annulled the election for a second time on grounds that there were an unusually large number of annulled ballots. However, after investigation the Tribunal upheld the PAN victory. In local elections in Nayarit on July 7, 2002, the PRI recaptured 14 of 18 posts and a majority in the state legislature previously won by a PAN-PRD coalition.

**Allegations of Human Rights Abuses.** Charges of human rights abuse in Mexico, cited by human rights groups and the State Department's annual reports, include allegations of torture, harassment, and extra-judicial killings by law enforcement agents; threats against journalists, academics, and human rights monitors; and killings or "disappearances" of opposition politicians. Other abuses include prison deficiencies, discrimination against women and indigenous peoples, and extensive child labor in the informal sector.

President Zedillo took a number of steps to deal with these abuses, including continuing support for the National Human Rights Commission. He named Antonio Lozano of the opposition PAN as Attorney General in 1994 and ordered him to carry out a major reform of the judicial and law enforcement system to eliminate corruption and human rights abuse. Judicial reform was approved in December 1994, increasing the independence and autonomy of the Supreme Court and of the Attorney General's Office. Under Zedillo, major attention focused on the December 1997 killing of 45 indigenous peasants in the village of Acteal in the state of Chiapas by armed men said to be linked to the PRI. President Zedillo urged prompt prosecution, and some 82 remain in detention, 51 serving prison sentences after conviction and others awaiting trial, with six freed on appeal for lack of evidence.

President Fox, even before taking office, appointed well known human rights activist Mariclaire Acosta as a Special Ambassador for Human Rights, and Mexican spokesmen have asserted that Mexico will be open to visits by human rights organizations and foreign visitors and will take strong human rights positions. Immediately after his inauguration, President Fox signed an agreement with the United Nations to provide technical assistance on human rights. The killing of human rights lawyer Digna Ochoa y Placido on October 19, 2001, has raised questions about the government's human rights policies, and prompted calls for prompt action by the government from domestic and foreign human rights organizations. Criticism has also been expressed over the government's allegations in May and June 2002 that her death may have been a suicide. President Fox freed two well known Mexican environmentalists that Digna Ochoa had represented and defended, namely Rodolfo Montiel and Teodoro Cabrera, on November 8, 2001.

The National Commission on Human Rights presented a report to President Fox, on November 27, 2001, that documented human rights abuses and disappearances of persons in the 1970s and early 1980s, and President Fox named legal scholar Ignacio Carrillo as a Special Prosecutor to investigate these and other cases on January 4, 2002. President Fox ordered the release from prison of General Jose Francisco Gallardo on February 9, 2002, but did not pardon him, despite the fact that human rights groups argue that his conviction in military courts for theft and corruption was fabricated because of his advocacy of a human rights ombudsman for the Mexican military. The State Department's March 2002 human rights report on Mexico states that Fox Administration efforts to improve the human rights situation continued to meet with limited success. On May 31, 2002, a group of 26 indigenous peasants were killed in southern Oaxaca, and 15 men and one woman were

arrested in early June 2002 for the killings that were purportedly motivated by longstanding land disputes in the area. In June 2002, President Fox signed a new Freedom of Information Act for Mexico, and released secret government archives. In late September 2002, Mexican army officers General Mario Arturo Acosta and Francisco Quiros, both already in prison on drug trafficking charges, were charged, along with retired Major Francisco Javier Barquin, with homicide for the killings of 143 anti-government activists in the 1970s.

## LEGISLATION

### **P.L. 107-87, H.R. 2299**

Department of Transportation Appropriations, FY2002. H.R. 2299 was reported out by the House Appropriations Committee (H.Rept. 107-108) on June 22, 2001. It passed in the House on June 26, 2001, with the Sabo amendment, approved 285-143, to prohibit the use of funds to process applications by Mexico-domiciled motor carriers for authority to operate beyond border commercial zones. The Senate version of the bill (S. 1178) was reported out on July 13, 2001, with provisions proposed by Senators Murray and Shelby requiring various safety inspections of Mexican trucks for access to U.S. highways. The text of S. 1178 was subsequently offered as a substitute amendment (S.Amdt. 1025) to H.R. 2299. The Senate considered H.R. 2299 on July 19-20 and 23-27, but action was not completed because of various parliamentary delays by Senators Gramm and McCain, who argued that the Mexican truck provisions were contrary to NAFTA and that President Bush was prepared to veto the measure for that reason. A motion to invoke cloture on debate was passed 70-30 on July 26, but another vote to invoke cloture failed 57-27 on July 27. On August 1, 2001, the Senate reconsidered and invoked cloture 100-0, after which H.R. 2299 with the Murray-Shelby restrictions was passed by voice vote. On November 29, 2001, House and Senate conferees reached agreement on a compromise in Section 350 that generally retained the Senate-passed safety provisions but gave the Administration more flexibility in implementation. The conference report (H.Rept. 107-308) was passed by the House on November 30, 2001, and by the Senate on December 4, 2001. Signed into law December 18, 2001.

### **P.L. 107-115, H.R. 2506**

Foreign Operations Appropriations for FY2002. H.R. 2506 was reported in the House by the House Appropriations Committee on July 17, 2001 (H.Rept. 107-142) and passed by the House on July 24, 2001. Reported in the Senate by the Senate Appropriations Committee with an amendment in the nature of a substitute on September 4, 2001 (S.Rept. 107-58). Passed Senate on October 24, 2001, with an amendment (S.Amdt. 1959) by Senators Dodd and Hutchison to modify the existing drug certification procedures. The amendment contains provisions similar to the provisions in S. 219 and S. 1401 summarized above, except that the amendment would modify the drug certification procedures for FY2002 only, and for Western Hemisphere countries only. The conference version, approved by the House on December 19 and by the Senate on December 20, waived the drug certification requirements for all relevant countries in FY2002 and required the President to designate for sanctions only those countries that demonstrably failed to meet international counter-narcotics obligations. Signed into law January 10, 2002.

**P.L. 107-228, H.R. 1646**

Foreign Relations Authorization for FY2003. The House International Relations Committee reported out H.R. 1646 on May 4, 2001, without any provisions on drug certification, and the measure was passed by the House on May 16, 2001. The Senate approved H.R. 1646 on May 1, 2002, after incorporating the text of a Senate measure on security assistance (S. 1803) approved in December 2001. Under the conference report on H.R. 1646 (H.Rept. 107-671) filed on September 23, 2002, Section 706 deals with International Drug Control Certification Procedures. Drawing from S. 1401, reported out by the Senate Foreign Relations Committee on September 4, 2001, the new procedures require the President to make a report, not later than September 15 of each year, identifying the major drug transit or major illicit drug producing countries. At the same time he is required to designate any of the named countries that has “failed demonstrably,” during the previous 12 months, to make substantial efforts to adhere to international counter-narcotics agreements (defined in the legislation) and to take other counter-narcotics measures. U.S. assistance would be withheld from any designated countries unless the President determines that the provision of assistance to that country is vital to the national interest of the United States or that the designated country subsequently made substantial counter-narcotics efforts. Another section clarifies that the requirement for the yearly International Narcotics Control Strategy Report (INCSR) detailing the performance of individual countries by March 1 of each year is retained. Notwithstanding the general suspension of the previous drug certification and sanctions procedures, subsection 706(5)(B) provides that the President may apply those procedures at his discretion. A transition rule provides that for FY2003 the required report must be submitted at least 15 days before foreign assistance funds are obligated or expended. Conference report passed House by voice vote on September 25, 2002; passed Senate by unanimous consent on September 26, 2002. Signed into law on September 30, 2002.

## FOR ADDITIONAL READING

### CRS Products

CRS Electronic Briefing Book. *Terrorism*. Page on “Border Security: Issues and Options,” by Lisa Seghetti and William J. Krouse (available on the CRS Web site at [<http://www.congress.gov/brbk/html/ebter124.html>]).

CRS Report RL30950. *Drug Certification Procedures: A Comparison of Current Law to S. 219 and S. 1401 as Reported*, by K. Larry Storrs.

CRS Report RL30949. *Drug Certification Procedures: Side-by-Side Comparison of Existing Procedures and S. 219 as Reported*, by K. Larry Storrs.

CRS Report RL30892. *Drug Certification Requirements and Congressional Modifications in 2001-2002*, by K. Larry Storrs.

CRS Issue Brief IB88093. *Drug Control: International Policy and Options*, by Raphael Perl.

CRS Report RL30780. *Immigration Legalization and Status Adjustment Legislation*, by Ruth Ellen Wasem.

CRS Report RL30852. *Immigration of Agricultural Guest Workers Policy, Trends, and Legislative Issues*, by Ruth Ellen Wasem and Geoffrey K. Collver.

CRS Report RL31386. *Industry Trade Effects Related to NAFTA*, by M. Angeles Villarreal.

CRS Report 98-174. *Mexican Drug Certification Issues: U.S. Congressional Action, 1986-2001*, by K. Larry Storrs.

CRS Report RL31412. *Mexico's Counter-Narcotics Efforts Under Fox, December 2000 to April 2002*, by K. Larry Storrs.

CRS Report RS20611. *Mexico's Presidential, Legislative, and Local Elections of July 2, 2000*, by K. Larry Storrs.

CRS Report 97-861. *NAFTA Labor Side Agreement: Lessons for the Worker Rights and Fast-Track Debate*, by Mary Jane Bolle.

CRS Report 97-291. *NAFTA: Related Environmental Issues and Initiatives*, by Mary Tiemann.

CRS Report RL31028. *North American Free Trade Agreement: Truck Safety Considerations*, by Paul Rothberg.