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United States and Mexico

Ties That Bind, Issues That Divide

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Summary

The purpose of this study was to assess ways to strengthen the alliance between the United States and Mexico. In this monograph, we provide objective analysis of issues relevant to this unique international relationship. It is our belief that both Mexican and U.S. policymakers would benefit from a detailed discussion of immigration and the social and economic development of Mexico, interrelated issues connecting both countries. Understanding the concerns that drive the debate on immigration in the United States might better enable Mexican policymakers to engage in a constructive dialogue that helps support and reform U.S. immigration policy. In addition, U.S. policymakers might benefit from understanding the social and economic achievements of, as well as challenges faced by, Mexico. Such factors influence many Mexicans' decisions to emigrate across the border every year. Although we recognize that there are other issues of mutual interest to both countries, immigration to the United States and the social and economic backdrop of Mexico are topics complex enough to illustrate the progress made by and the challenges that remain for both countries.[1]

The United States and Mexico have always shared a complicated bilateral relationship, which is clearly evidenced by the heavy migration flows and trade agreements of the past 20 years. A major issue of contention between both countries is that of immigration from Mexico to the United States. The September 11 attacks promulgated a tightening of immigration restrictions, which led to the Secure Fence Act of

[1] The issue of security in Mexico is dealt with in a companion piece to this monograph (Schaefer, Bahney, and Riley, 2009).

2006 (Pub. L. 109-367), supporting the construction of a 700-mile-long fence along the Mexico–United States border. On the other hand, with the elimination of tariffs and other economic trade barriers in the mid-1990s, the North American Free Trade Agreement (NAFTA) has served as a multilateral platform for cooperation between both countries, as well as Canada. In March 2011, U.S. President Barack Obama met with Mexican President Felipe Calderón to discuss working together on issues ranging from drug-related violence, immigration reform, and cross-border trucking to climate change and international politics.

Objectives and Approach of the Monograph

The project had three objectives. First, we described the conditions precipitating the large immigration flow of Mexican citizens to the United States, especially during the 1990s and early part of this century. Second, we examined specific social reforms and challenges faced by Mexican citizens in the period before the U.S. recession that started in 2007 and the global crisis that commenced in 2008. Although detailed statistical and economic analyses of the recession continue to be produced, our aim is to analyze secular trends over the past few decades that relate to structural issues. Toward this end, we do make note of data available since 2007 that highlight noteworthy patterns that hold true across *previous* economic crises to understand their impact on Mexico's socioeconomic development. Finally, we studied the prevailing opinions that U.S. citizens have of Mexican immigration.

Our multidisciplinary approach entailed the following:

- reviewing and documenting contemporary and historical policy contexts of Mexican immigration to the United States
- collecting and analyzing information on the economic conditions, social structures, and government programs in Mexico
- interviewing U.S. and Mexican policymakers about factors influencing Mexican migration and U.S.-Mexican relations

- describing U.S.-Mexican policy up to 2011, and assessing popular public opinion on U.S.-Mexican relations and migration.

To the best of our knowledge, the information presented is the most recent available as of March 2011, by which date the data for this monograph were gathered, but we must caution that the subject matter concerns a fast-moving policy area, and there are constant changes. The manuscript is designed as a binational reference for both U.S. and Mexican policymakers. We define *binational* as a way of examining an issue while taking into account the concerns and interests of both Mexico and the United States. More clearly, the monograph presents Mexican immigration to the United States and the economic and social development of Mexico as interrelated issues. Differences in economic growth, wages, and the employment situation between the two countries are critical determinants of immigration. Migration of labor out of Mexico, in turn, affects Mexico's economic and social development. Policymakers of both countries should be cognizant of the connections between immigration and economic and social development in order to design policies that address these complex issues. Moreover, because Mexico is an important economic partner of the United States, a better comprehension of the barriers and challenges to Mexico's economic growth can provide U.S. decisionmakers with insights into determining which future policies might be beneficial to both countries.

The Mexican Migration Situation

During the 20th and 21st centuries, the United States and Mexico have simultaneously promoted and discouraged migration from Mexico to the United States through their migration policies. Although the United States has mostly attempted to limit the volume of Mexican immigration, it actively promoted the immigration of Mexican workers in response to labor shortages during World Wars I and II. Similarly, Mexico has, at different times, encouraged labor migration to the United States, tried to control the number of emigrants, or instead

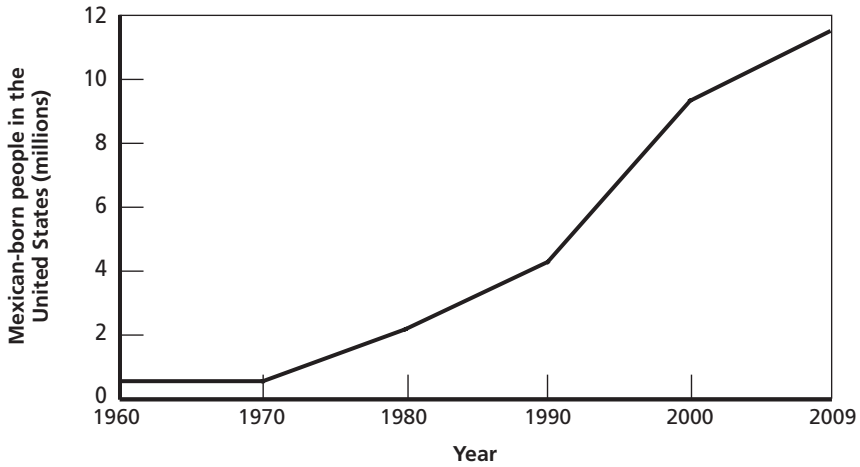
simply taken a laissez-faire approach to the flow of illegal migrants through its northern border.

Our review of the research literature, immigration policy documents, and statistical and economic data yielded the composite picture, described next, of the state of Mexican immigration to the United States.

The Number of Mexican Immigrants in the United States Increased Significantly in the Past 20 Years

By 2005, an estimated 16 percent of Mexico's working-age population resided in the United States (Giorguli Saucedo, Olvera, and Leite, 2006). The size of the Mexican population living in the United States has increased significantly since the 1990s and has been estimated at 11.5 million in 2009 (Pew Hispanic Center, 2009) (Figure S.1). Migrants have also expanded their destinations in the United States from traditional migrant-receiving states—Arizona, California, Florida, Illinois, and Texas (see Figure S.2)—to the entire country. As of 2009, Mexicans made up the largest immigrant group in 33 states, and

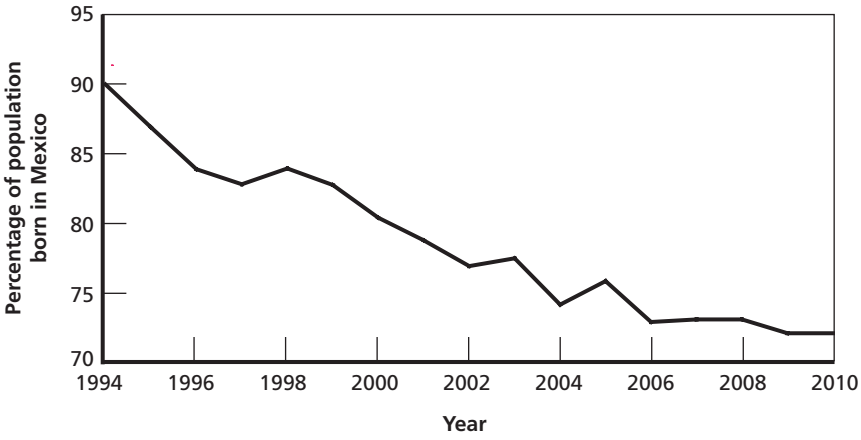
Figure S.1
Mexican Immigrants in the United States, 1960–2009



SOURCE: Migration Policy Institute, undated.

RAND *MG985/1-S.1*

Figure S.2
Share of Mexican-Born U.S. Population in Top Five Migrant-Receiving States (Arizona, California, Florida, Illinois, and Texas), 1994–2010



SOURCES: U.S. Census Bureau, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006b, 2007b, 2008b, 2009c, 2010.

RAND *MG985/2-S.2*

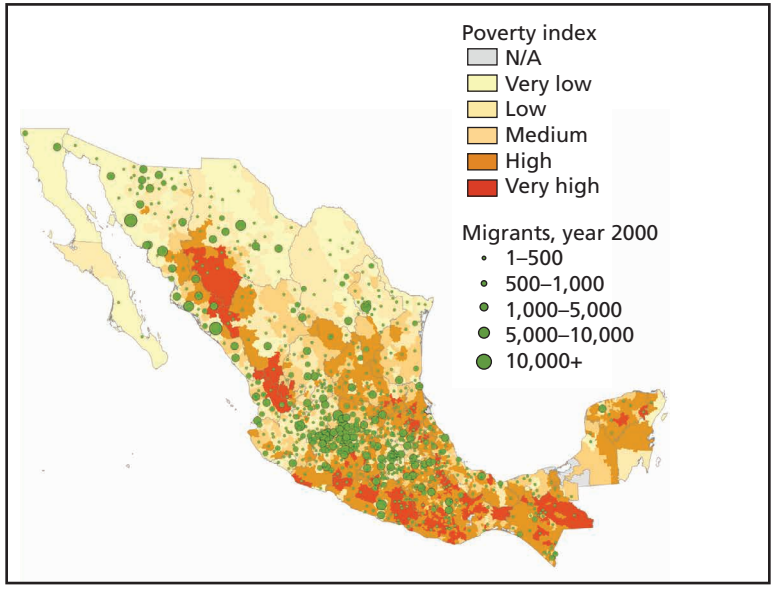
they are among the top five groups in 45 states (U.S. Census Bureau, 2010).

The Social Makeup of the "Typical" Immigrant Is Changing

Although the central-west zone continues to be the most important migrant-sending region in Mexico, other regions with no tradition of migration are now affected by this phenomenon. Mexico's government has reported that 96 percent of the country's municipalities registered at least some level of migratory intensity (see Figure S.3).

Most Mexican migrants are male, between 15 and 44 years of age, and with less education than not only the native U.S. population but also other immigrant populations. On the other hand, Mexican migrants in general are more educated than the Mexican population as a whole, and migrants who settle permanently in the United States are even more educated. However, as the poorest Mexican regions in the south—traditionally not the regions with the highest rates of outward migration—increase their importance in migratory flows, this positive

Figure S.3
Mexico's Migrant-Sending Regions



SOURCES: CONAPO, 2005a; COLEF, undated, data for 1993–2004.
RAND *MG985/1-S.3*

selection on skills might decrease. For instance, Riosmena and Massey (2010) point out that, from 2000 to 2006, the share of migrants originating in Veracruz, Tabasco, Chiapas, Campeche, Quintana Roo, and Yucatan increased from 7 percent to 13 percent of total emigrant flows and that, in 2006, the percentage of emigrants from this region with no education or incomplete primary education was significantly higher, and the share with some lower secondary or upper secondary education was significantly lower, than the national average.

Migration Between Mexico and the United States Is a Phenomenon Driven Significantly by Economic Factors

Trends reveal that Mexican citizens' decisions to emigrate to the United States increase during periods of U.S. economic expansion and are propagated by the large wage differential between both countries. Other factors affecting choices to emigrate directly concern conditions

in the home country, including lack of jobs, economic crises, poverty, and crop failure. Finally, social networks play a role in decisions to emigrate. U.S. employers frequently seek additional low-wage Mexican workers through current immigrant employees. Acquaintances living in the United States can ease the migratory process for new migrants.

An Important Concern in the United States Regarding Immigration Is Its Economic Impact

Although the evidence is inconclusive and the debate is still ongoing, results indicate that, between 1980 and 2000, the wages of low-skilled U.S. workers, who represent about 8 percent of the native labor force (Hanson, 2009), fell by up to 9 percent due to all immigration (Borjas, 2003). However, other studies suggest that immigration increases economic activity by attracting more businesses and thus creating more jobs (see, e.g., Peri, 2009). In addition, immigration might also have positive economic effects by lowering the prices of labor-intensive goods and services (Cortes, 2008). In terms of fiscal burden—whether immigrants receive more in government benefits than they pay in taxes—it appears that the net fiscal impact of immigration is small, although much of this burden is likely borne by state governments (Smith and Edmonston, 1997).

In the academic literature, there is some evidence that return migration flows are driven by the economic conditions in the country of origin rather than in the country of destination (Papademetriou and Terrazas, 2009). However, in the media (see Alarcón, 2008; Camarota and Jensenius, 2009), there has been an expectation of a sharp increase in return migration as a result of the economic crisis the United States faced starting in 2007. However, data show low levels of return migration between 2007 and 2009 (Rendall, Brownell, and Kups, 2010). As of early 2011, Mexico was recovering from a deep economic downturn as a result of the global economic crises that were triggered by the 2007–2009 financial and economic crises in the United States, as well as the H1N1 outbreak in the spring of 2009. This will more likely encourage the trend of immigrants staying for longer periods, thereby lowering the return flow of migrants.

The Economic and Social Situation in Mexico

In the mid-1990s, Mexico suffered a deep economic crisis. NAFTA and economic reforms aimed at increasing competitiveness created expectations of sustainable economic growth. However, a sudden depreciation of the Mexican peso in December 1994 started a financial crisis that resulted in a 6.2-percent contraction in gross domestic product (GDP) between 1994 and 1995 and a rise in inflation, which peaked at 35 percent. Recovery from the crisis took approximately five years, but the period that followed the recovery up to 2008 was characterized by macroeconomic stability, including steady exchange and interest rates and low inflation. Nevertheless, GDP per capita and productivity growth during those years were modest.

Mexico's economic performance has been relatively stable from the late 1990s to the late 2000s. Given divided governments and the slow democratic process, its reforms have been impressive. But more reforms are needed, especially in the areas of fiscal, labor, and energy policy. The rapid growth of trade between the United States and Mexico seen after NAFTA has slowed since 2000, and challenges remain.

Our interviews with Mexican officials, study of Mexican social and economic policy documents, and statistical and financial data produced the following composite picture of Mexico's social and economic conditions:

- *Economic competitiveness with other countries remains mixed.* Despite the multiple economic reforms of the 1990s, Mexico long remained behind other developing countries in terms of competitiveness but has been catching up in some categories. In the 2011 *Global Competitiveness Index* (GCI) by the World Economic Forum, Mexico ranks 58th worldwide. China, India, and Chile are some of the countries that compete with Mexico for foreign investment, and these countries had better placement in these rankings. However, in the World Bank's *Doing Business* rankings, Mexico ranks 35th and higher than these three countries (World Bank, undated [b]). The problems commonly identified with Mexico are corruption, a weak judicial system, and excessive

bureaucracy. It has been estimated that regulatory burden costs Mexico 15 percent of its GDP. Also related to competitiveness is the need for better labor-market policies; labor regulations in Mexico are among the most rigid in the Organisation for Economic Co-Operation and Development (OECD) and emerging markets, a fact that adds considerable costs to employment, stimulates informal markets, and deters entrepreneurship.

- *Taxation revenues are low.* Fiscal policy is another area in which there is still much to be done. Taxes as a percentage of GDP are low not only compared with those of other Latin American countries but also compared with those of the United States and the OECD average. In addition, the Mexican government relies heavily on income from Petróleos Mexicanos (PEMEX), the state-owned oil company; about one-third of public-sector revenues are oil related. An important reason for low tax revenues and high reliance on oil taxes is the vast tax evasion in the informal economy, which is estimated to account for 20 percent of the profits generated in the country. Fiscal reforms enacted in 2007 are expected to increase nonoil tax revenue by 2.8 percent of the GDP by 2012, but further efforts are needed to expand the tax base and avoid tax evasion.
- *Energy development is becoming one of Mexico's most important challenges for the future.* Oil production is projected to decline such that Mexico, the seventh-largest oil producer in the world as of 2010, could become a net oil importer by 2018. Preventing this situation will require heavy investment in exploration and development of oil extraction methods, but this is unattainable because PEMEX lacks the needed financial resources because of its transfers to the federal government, which have resulted in its being one of the most heavily indebted oil company in the world. In addition, regulations severely limit PEMEX's ability to make strategic decisions or engage in partnerships that could provide it with the required technology. A reform initiative passed by the Mexican Congress in October 2008 represents a small step in the right direction, allowing PEMEX to subcontract foreign compa-

nies for exploration and drilling, but further regulatory efforts with more far-reaching changes are still needed.

- *Money sent by Mexican immigrants in the United States to their families in Mexico has become a major source of income.* An important determinant of Mexican social conditions is the inflow of remittances. From 2000 to 2009, remittances were the second-highest source of external resources for Mexico, only slightly below foreign direct investment (FDI). International organizations have recently shown interest in the role of remittances as a tool for economic development. Federal and state governments in Mexico have created programs to channel remittances sent by migrant organizations toward financing infrastructure, public services, and other community-related projects. This makes Mexico vulnerable to changes due to fluctuations in the U.S. economy.
- *Mexico depends on the United States for foreign trade and investment.* Aided by the enactment of NAFTA in 1994, Mexico has become the third-largest trading partner for the United States, behind only Canada and China. Relative FDI levels have been lower: In 2010, U.S. FDI in Mexico amounted to only 2.3 percent of worldwide U.S. FDI, measured as the U.S. direct investment position on a historical cost basis, similar to the 1994 percentage, although it did rise and then fall (BEA, 2010; Lowe, 2010). However, Mexico's trade and investment dependence on the United States is far higher. In 2010, more than 79.9 percent of Mexican merchandise exports were destined for the United States, and 48.1 percent of Mexico's merchandise imports came from the United States. In that same year, 27.6 percent of Mexico's FDI came from the United States, but that was an unusual year. That figure averaged 53.9 percent between 1994 and 2010 and was above 40 percent every year from 2005 to 2009.
- *Poverty in Mexico is still widespread.* Mexico's progress in alleviating poverty has been mixed in the past two decades. Depending on the measure used, economic inequality has either remained unchanged or grown, but it certainly has not decreased. Government figures show an important reduction in poverty rates between 1996 and 2006. However, between 2006 and 2010, this

was somewhat reversed, and poverty is still widespread, particularly in rural areas and among indigenous communities, and increased during the economic crisis. Mexico has a long tradition of instituting social programs, particularly those with the goal of alleviating poverty. Although evaluations of these programs are rare, Oportunidades—the largest program focusing on poverty alleviation—was designed with a rigorous and independent evaluation system. This program provides cash transfers to households in extreme poverty, conditional on those households fulfilling certain obligations, including keeping their children in school and attending clinics for health education and medical exams. Evaluations of Oportunidades have highlighted positive results in several areas, and several governments of other countries have begun implementing similar programs. There are still many challenges in this area, particularly in the less developed regions in Mexico.

- *The quality of education in Mexico is low.* Mexican students generally obtain low scores in international studies of academic achievement, and grade repetition and dropout rates are relatively high. Some progress has been made in access to basic education, but access to higher education is still low; only 8 percent of Mexico's population hold bachelor's degrees. Almost 80 percent of the education budget is allocated to teacher compensation, leaving little left to invest in other educational resources.
- *Mexico has shown improvement in providing health care for its citizens during the past half-century.* Life expectancy increased by almost 28 years between 1950 and 2010, and infant mortality declined 64 percent between 1990 and 2010. An important shift in the health-care system is taking place as Mexico undergoes an epidemiological transition from infectious diseases to degenerative conditions, such as diabetes and cardiovascular disease. However, this transition is not occurring uniformly across the country: The risk of death due to transmissible diseases or malnutrition is 30 percent higher in rural communities than in urban areas. Another cause of concern is the relatively low level of resources being allocated to the Mexican health system com-

pared with those in other North American and Latin American countries. Changes in 2010 in the general health law (Cámara de Diputados del H. Congreso de la Unión, 2010) represent an attempt to increase health spending and improve efficiency. The same law and other reforms have also focused on expanding health-care and social security coverage, which, in Mexico, is not universal and is highly fragmented; a population of particular interest for the government is individuals in the informal sector, and some of these policies are trying to generate incentives for them to move from the informal to the formal sector.[2]

Whither U.S.-Mexican Relations?

In reviewing international and national policy set by Mexican and U.S. decisionmakers for the previous two sections, it became clear that the perspective of U.S. citizens is important because the United States is the top recipient for legal and illegal Mexican immigrants, and citizens set the tone for prospective new policies. Our review of literature and surveys of U.S. public opinion on immigration and trade reframed some important themes. The findings suggested that, although U.S. citizens recognize that there are solid achievements on which to build, some areas remain in need of further action.

U.S. Opinion on Immigration and Immigrants Is Mixed

Opinion polls show that a majority of Americans think that immigration is good for the United States and that immigrants contribute to the country and work as hard as or harder than U.S. natives. On the other hand, when asked specifically about illegal immigration, most respondents said they would like to see it reduced, and more than two-thirds think that it weakens the economy. The population is divided regarding how to handle illegal immigrants already in the country; slightly more than half of Americans think they should be required to

[2] We define *informal sector* as encompassing the economic activity of wage earners and self-employed individuals who do not make social security contributions (Aguila et al., 2011).

go home, while 40 percent said they should be allowed to stay in the United States (Pew Research Center for the People and the Press and Pew Hispanic Center, 2006).

Immigration Policies in Both Countries Continue to Be Characterized by Unilateralism

The United States focuses its efforts on securing its borders and limiting the expansion of the undocumented-immigrant population; Mexico, on the other hand, has focused on creating linkages with Mexican migrants, in order to improve their well-being and establish cooperation between them and their communities of origin.

Illegal Immigration Is a Charged Subject for U.S. Citizens and Mexican Immigrants Alike

Because illegal immigration has become an important topic in the U.S. public debate, several proposals for changes to immigration policies have been suggested. There are politically active groups with different interests in this debate, so immigration proposals usually include a combination of different policies to accommodate their concerns. In addition to increased border enforcement, which is an essential component of post–September 11 immigration bills, three major policy options have been debated: guest worker program, earned legalization, and legalization. All attempts for immigration reform since 1986 have failed to gain the support of enough legislators to pass, so the Immigration Reform and Control Act (IRCA) (Pub. L. 99-603, 1986) continues to be the basis of U.S. policy on illegal immigration.

Not All U.S. Citizens Believe That NAFTA Works in Their Favor

Although Americans seem to subscribe to the overall benefits of free trade as represented by NAFTA, different opinion polls run from 2004 to 2008 show that about 50 percent of respondents support renegotiation of NAFTA and believe that free-trade agreements take jobs away from Americans.

Resolution of Troubled Trucking Legislation Demonstrates That the Two Countries Can Overcome Contentious Bilateral Issues

NAFTA initiatives, designed to remove barriers to trade between the United States, Mexico, and Canada, called for the opening of the U.S. border to free-flowing truck and bus traffic from and to both neighboring countries from 2000 onward. However, citing highway safety and environmental concerns, the United States limited Mexican trucks in operation to commercial zones along the border. This is one factor that hindered the production-sharing nature of NAFTA by concentrating industry in the six states along the U.S. border and Mexico City. Moreover, retaliatory tariffs imposed by Mexico on U.S. imports further curtailed free trade. However, in July 2011, after extensive negotiations, an agreement was signed by the Mexican and U.S. governments that allows trucking and bus traffic for a trial period of three years (U.S. Department of Transportation, 2011).

Conclusions and Policy Implications

Taken together, our social and economic data provide insight into potential areas of concern for both Mexico and the United States and permit us to see important implications for policy.

Recommendations Addressing Mexican Immigration to the United States

Improve the Facilitation of the Legal Labor Market. Building a strictly legal labor market will be key to enhance the United States and Mexico's future relationship in the coming years. Mexico has a strong base of human capital that frequently seeks out a broader base of economic activity through employment in the United States. Unfortunately, many immigrants enter illegally and are hired illegally, forming an underground or informal labor market within the United States. Also, the system of issuing U.S. visas should be restructured and streamlined to meet the labor needs of legal industries, especially in the case of those industries seeking the help of low-skilled Mexican laborers.

Use Information Tools to Understand Migration Flows and Trends. U.S. and Mexican officials should work together to better understand population flows and trends. Databases that record individuals' unique labor histories in the United States and Mexico, along with information pertaining to qualifications, employment and unemployment periods, family characteristics, and contributions to U.S. and Mexican social security systems, might be improved to help understand migration flows.[3]

Have a Single Organization Committed to Recording Labor Movements of Immigrants to Support All Current and Future Immigration Policy. To the extent that the United States and Mexico might work more closely together to decrease illegal border activity, a correlating organization might specifically regulate and monitor all labor movements of individuals between Mexico and the United States. Although a binational organization might seem a rather futuristic ideal for U.S.-Mexican relations, it nonetheless has the potential of fulfilling long-term needs of both nations. A binational organization may be an effective solution, requiring strong commitment, collaboration, and resources from both countries.

Improve International Understanding When Approaching the Immigration Issue. Many U.S. policies address immigration without an understanding of the economic and social origins and dynamics of the phenomenon. Additionally, there is little consideration of the conditions in the United States that promote constant influxes of immigrants. It is important that policymakers from both countries begin to understand the causes and consequences of Mexican migration and take into consideration the particular regional disparities and economic and social conditions behind citizens' decisions to migrate. Greater understanding will help facilitate some important policies and programs—for example, one that promotes employment in underdeveloped areas will help with a goal of retaining citizens in their places of origin. A proportion of the population will still migrate from Mexico to

[3] It is important to note that, in making this recommendation, our intent is that such data would be used only for research purposes and would not be used to identify or track specific individuals.

the United States because of networks or cultural traditions engendering the desire to move north. However, a thorough analysis aimed at understanding which types of migrants are likely to stay in the place of origin will help policymakers design appropriate economic incentives.

Recommendations Addressing Mexican Reform

Stimulate Growth in the Formal Economy of Mexico. Working conditions would improve for many more citizens if workers were able to move from the informal to formal economy because there are better retirement plans and medical coverage for workers in those sectors. Policies to retain individuals in the formal sector are hard to implement, but programs to generate employment and economic growth and improve a country's comparative advantages are some of the key elements to improve conditions in the labor market.

Broaden the Tax Base in Order to Improve Government Revenues and the Capability to Target Social and Economic Issues. Tax collection can be improved by providing incentives to states for collecting taxes and for firms to move to the formal sector.

Promote Greater Market Competition. The Federal Competition Commission (Comisión Federal de la Competencia México, or CFC) should be vested with real powers to prevent predatory pricing, divest monopolies, and implement leniency programs (World Bank, 2006a). So far, the CFC has very limited power to prevent and take action over monopolistic practices.

Invest in Expanding Refining Capacity and Natural-Gas Production. Most of the production and exploration of energy from PEMEX, the government monopoly, is under severe pressure to update and improve efficiency. Allowing foreign participation can provide immediate solution to these issues and improve government revenue.

Allow Private Producers into Some Segments of Mexico's Energy Sector. In 1992, the Mexican Congress amended the constitution to attract private investment and allow limited private generation of electric power, when the need to provide adequate electrical power to sustain growing electricity demand became clear. The telecommunication sector was successfully privatized in 1990 (Aspe Armella, 1993). Privatization might be one option of reform for the energy sector.

Effectively Restructure Labor Regulation to Meet Current Workforce Needs. The labor regulation in Mexico is out of date, and overly stringent regulations contribute to the large informal sector. Lack of flexibility for part-time jobs and reentering the formal labor market after retirement are some of the issues that affect the most vulnerable segment of the population.

Allow for Less Costly Hiring and Firing Practices by Firms in Mexico. By doing so, the process of innovation that depends on quick formation and dissolution of firms will be aided while still adhering to rules of due process.

Promote Economic Growth in Rural Areas. The OECD (2007b) finds that it is crucial to have more coordination among the institutions in Mexico responsible for rural policies. A better institutional arrangement would allow institutions in charge of rural development to exploit synergies and identify potential complementarities in their policies.

Make Education Quality a Primary Policy Objective as Soon as Possible. Improving educational quality should be a major policy objective that will require improvement in the larger infrastructure, as well as in the area of teacher preparation. Another challenge is to increase enrollment and retention rates for upper-level institutions. Any new policies addressing these issues must take into account the existing achievement disparities across indigenous, public, and private schools.

Coordinate Social Policy Across All Sectors. Only a few social programs in Mexico have had positive impact in reducing poverty, and the specific objectives of different programs overlap. An effective and efficient social policy would require the elimination of programs with overlapping objectives and concentrate efforts on those with the highest impact.

Reform Pension Systems with Cash-Flow Deficits. Pension systems represent an important government liability. The Mexican Social Security Institute (Instituto Mexicano del Seguro Social, or IMSS) was reformed in 1997, and the State Workers Security and Social Services Institute (Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, or ISSSTE) for government employees was reformed in 2007 (Aguila et al., 2011). Other public-sector institutions, such as the oil and electricity companies, universities, and many local govern-

ments, need to give urgent attention to reform their pension systems and guarantee their future financial feasibility. Reducing the government burden from the pension systems could allow allocating more resources to policies that promote economic growth.

Recommendations Based on U.S. Public Opinion and Analysis of NAFTA

Improve International Understanding Through Media and Educational Forums. Improvement of U.S.-Mexican relations begins with a strong foundation of public understanding on both sides of the border. Presenting information on Mexican and American culture, society, and politics via meaningful media outlets and formal and informal instructional opportunities in both countries will strengthen this critical relationship by educating citizens about past, present, and future international policies and concerns.

Explore Geographical Expansion Opportunities to Better Facilitate the Maquiladora Program.[4] Much of the FDI flowing into Mexico has been concentrated in the six states along the U.S. border and Mexico City. In order to foster more-even development, Mexican policymakers should encourage the setting up of enterprises in other locations to take advantage of local comparative advantages. Continuing the effort of building a sound transportation infrastructure will mitigate the increased cost of being located away from the border.

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[4] According to Brauer (undated),

> A maquiladora company is a Mexican corporation operating under a special customs treatment, whereby it may temporarily import into Mexico machinery, equipment, replacement parts, raw materials, and, in general, everything needed to carry out its production activities.

Maquiladoras were originally linked to U.S.-based plants and generally were foreign invested. Well after creating the maquiladora program, Mexico, in 1990, created a similar program for domestic producers, called the Program for Temporary Imports to Promote Exports (PITEX) (Cañas and Gilmer, 2007). In 2007, the two programs were merged under the Decree for the Promotion of the Manufacturing Industry, Maquiladora, and Exportation Services (Decreto para el Fomento de la Industria Manufacturera, Maquiladora y de Servicios de Exportacion, or IMMEX program) (van't Hek, Becka, and Mejia, undated). Plants in the program are often still referred to as *maquiladoras*.

Looking to the Future

Whether relations between the two countries improve or deteriorate in the future will depend on the policies adopted by the respective leaders. Common interests deserving of attention include trade, immigration, security, and investment. Ultimately, the future of relations between the two countries depends critically on approaches to policies adopted by the administrations of the two countries, taking advantage of new opportunities without the baggage of past missteps and suspicions.