

Heritage Lectures

No. 1096

Delivered April 28, 2008



Published by The Heritage Foundation

August 26, 2008

Challenges on the U.S.–Mexico Border: A Panel Discussion

Helen E. Kriebler, James M. Roberts, Marcus Brubaker, and Mario Loyola

RAY WALSER, PH.D.: It is my pleasure today to act as the moderator and the presenter of our panel of distinguished guests. First, we have Helen E. Kriebler, the founder and President of the Vernon K. Kriebler Foundation. The Foundation's objectives are to further democratic capitalism and to preserve and promote a society of free, educated, healthy, and creative individuals. Recently, the Foundation has directed its efforts at finding workable free market solutions to balancing labor demand in the U.S. with curbing illegal immigration.

Next, we have Jim Roberts, who is a Research Fellow for Economic Freedom and Growth at The Heritage Foundation. He is an economist and former diplomat, and he recently completed a study of ways to strengthen the Mexican economy.

Marcus Brubaker is a Legislative Assistant responsible for economic, foreign policy, and national security issues with Congressman William T. Sali (R-ID).

Mario Loyola was a visiting fellow at the Foundation for Defense of Democracies, has worked in the Pentagon, and published widely. He joined the Republican Policy Committee as a professional staff member last year.

I invite each of the panel members to make a brief statement on ways that they envision the U.S. responding to current challenges at the border and in the heartland. I also hope they will reflect on ways to strengthen ties with Mexico.

—Ray Walser, Ph.D., is Senior Policy Analyst for Latin America in the Douglas and Sarah Allison Center for

Talking Points

- Challenges on the U.S.–Mexico border include economic, immigration, and security challenges for both countries.
- Public- and private-sector monopolies and duopolies dominate huge swaths of the Mexican economy, especially in energy, telecommunications, construction, food production, broadcasting, financial services, and transportation. The Mexican government should take the painful but necessary steps to open these sectors to competition as a way to boost economic growth and create jobs.
- For Mexicans who want to work in the United States, there should be a lawful, more efficient system—perhaps a temporary worker program. Immigration reform needs outside-the-box thinking based upon the principles of the free market.
- While often associated with counternarcotics efforts, the U.S.–Mexico Mérida Initiative can be an important tool to combat transnational terrorists, who are increasing their operations in Latin America.

This paper, in its entirety, can be found at:
www.heritage.org/Research/LatinAmerica/hl1096.cfm

Produced by the Douglas and Sarah Allison
Center for Foreign Policy Studies
of the
Kathryn and Shelby Cullom Davis
Institute for International Studies

Published by The Heritage Foundation
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Washington, DC 20002–4999
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HELEN E. KRIEBLE: I think the presentation by Ambassador Sarukhan that we just heard was extraordinary and did highlight the willingness for Mexico and the United States to interface on key issues, to develop a dialogue that presents friendliness and mutual solutions to problems, which we feel are very, very important in dealing with the immigration issue.¹ We have developed a plan, the Kriebel Plan, which is a non-immigrant work visa program and relates to border security, but separates out the immigration issue and the U.S. citizenship issue. As you all know, that is the job of the United States federal government. Since that is a broken system, and will take some very serious thought to heal or to fix, it seemed easier to focus on the guest worker, border security piece of this, which could be done through free market solutions and private enterprise.

A Market Solution

Our suggestion is that instead of having artificial quotas on our guest workers here, we let the market determine how many work permits are needed. Think of it in terms of work permit travel visas, rather than in the comprehensive picture of citizenship, paths to citizenship, et cetera, that we have been struggling with for so long and have not been able to reach a solution for. So looking at that, our approach is that the market determines the number of workers needed. It's a job-specific program; if there is a job going begging in the United States that a foreign worker is willing to fill, then let that relationship be developed and let the process be taken care of by private enterprise. Our recommendation is employment agencies licensed by the government and supervised occasionally by the government, masters at putting jobs and people together. As I say, this is job-specific; if there are no jobs available in the United States, then there would be no non-immigrant worker visas issued. If there are jobs

going begging in the United States, then they could be filled.

So, the private sector would undertake to do this. Advantage: American worker. Who goes to a head hunter if you can get the guy next door to take the job? No employer would need to hire an employment agency and pay the user fees if a local will take the job, so the American workers will always have an advantage under this system. But it is a mechanism that is efficient and quick. What private employment agencies would do is to post jobs available to any worker to look at so they can see the job market in the United States. Once the match is made, they take the applicant, do a picture and fingerprints, and send it to our government criminal database to find out if the applicant has committed a crime in the United States. If they clear that, then there are private companies that can issue a million identification cards in a month—a million of them that are non-copyable; you can steal them, perhaps, but if your picture's wrong, it doesn't do you a lot of good. And these would be swipecards in the new technology very inexpensively by any employer, or by law enforcement. There would never be a question of who these people are anymore.

So, that's the basis of what we propose in our program. The most wonderful thing about this is that it is an easy solution for workers who are already in the United States illegally. These agencies would be positioned outside the country. They too, in one week's vacation, could make an appointment, go to an employment agency, run through the process, get screened for security (to be sure they've never committed a crime), and be back at their jobs in one week—not with a green card or with a pass to citizenship, but knowing that they are fully legal and fully able to participate in the American free enterprise system. If they don't like their jobs, they can give notice, contact the employment agency that gave them their identity cards, and say, "This is a job I would like to take. Please send me an updated security card," which would then be easy as long as they still have a clean record.

1. See the Honorable Arturo Sarukhan, "Real Solutions for Challenges on the U.S.–Mexico Border: The Mérida Initiative," Heritage Foundation *Lecture* No. 1095, August 26, 2008, at www.heritage.org/Research/LatinAmerica/hl1095.cfm

FICA Funding

So these people can now come out of the shadows and participate productively in the American economy. It would be paid for mostly by user fees, not tax dollars, other than the government's cost of oversight. How about the FICA (Federal Insurance Contributions Act) tax, 7.5 percent, that each worker has to pay and each employer has to match? That's 15 percent of everything earned. Leave it in the states where the worker lives to cover the costs of whatever services need to be covered, and no other social services would be required because they're guest workers. So this solves an endless group of issues in a very simple, free market way, costs the federal government nothing, removes 90 percent of the people currently coming illegally across the border, and would allow the federal government to then focus on border security and issues of citizenship, which must be equal for everybody in the world who wants to apply to come to the United States. A uniform process—that's important, that would be phase two of what we're talking about.

A Role for Mexico

Finally, the role that Mexico could play—not only in talking to us about what is reasonable and helping to shape or modify what we are discussing—would be very important if Mexican officials would say publicly what they say privately, which is, “We want our workers back.” These are basically risk-taking younger people who are very anxious to move upward in the economic scale, and Mexico wants those people back. That would be an important message to people in the United States.

What if Mexico were willing to run every applicant for a job in the United States through their criminal database so that we are absolutely sure that they are not exporting criminals? What if they made it a policy to support young entrepreneurs who return to Mexico by making it easy to get a license to start a new business? What about simplifying the tax requirements for start-up businesses, beginning to think about technical assistance and advice, similar to our chambers of commerce? The Mexican government could offer advice in helping the private sector to develop that kind of support group so that there is a bigger ratio of success among start-up entrepreneurs.

All of these things we feel should be in the dialogue, and I am just extremely pleased that The Heritage Foundation has hosted this meeting and that Mexico has expressed such an interest in being co-stakeholders in all of these issues with the United States.

JAMES M. ROBERTS: In an ideal world, we at Heritage would love to see as many functions of the U.S. government privatized as possible. We join our libertarian friends in sharing an admiration for 100 percent free market solutions to governance problems. The immigration problem is, in one sense, an economic and trade issue, but I think at Heritage we are also realistic about the political ramifications of any solution to the multi-faceted issue of immigration. We do want the border to be secured first, and when the Administration has taken steps to do that and it is secure, we want to see a comprehensive reform of the immigration laws of the United States.

We would certainly like to see as many elements as possible of Helen Kriebel's plan for a Temporary Worker Program incorporated in that reform legislation; we would hope that they would be. It is not likely, however, that the U.S. and Mexican governments are going to cede a tremendous amount of their authority to the private sector; many bureaucrats would have rice bowls at stake, if you will. But the Kriebel plan is certainly an admirable ideal to put on the table.

Sovereignty and Border Security

Although Ambassador Sarukhan's comments with regard to the issue of the security of the border vis-à-vis illegal immigration were perhaps correct in theory, in practice and in fact Americans are as sensitive as Mexicans about our sovereignty and our border, and we'll get to the issue of Mexican sensitivities about their sovereignty in a minute. I think the American people want to see the border secure, and they see that, along with the tremendous amount of very disturbing violence and crime and drug trafficking going on there, the issue of maybe 500,000 Mexicans and others crossing that border illegally every year is certainly the most obvious sign that the border is out of control, and it makes Amer-

icans feel unsafe. In fact, it is an example of why we need to fix the border and secure it first.

Ambassador Sarukhan also noted extensively the progress that President Felipe Calderón has made on fighting narcotics trafficking and related criminal activity problems along the border, but I wanted to focus a little on other issues that we hope President Calderón will address, and in fact he is already addressing. We wish him well and we'd like to support him. If Mexican government officials made reforms to their own economy, they could solve part of this immigration problem by growing hundreds of thousands of new jobs in Mexico. We would like to encourage that, and I just wanted to spend a couple minutes laying out some of those areas.

Mexican Monopolies

Mexico is still dominated by public- and private-sector monopolies and duopolies, and they dominate huge swaths of the Mexican economy, especially in energy, telecommunications, construction, food production, broadcasting, financial services, and transportation. They have long been a drag on Mexican economy. Notwithstanding Mexico's membership in NAFTA (the North American Free Trade Agreement), the roping off of these huge sectors of the Mexican economy in order to benefit politically powerful rent-seekers, if you will, has had the same practical effect as would the erection of protectionist trade barriers. It is a form of a mercantilist export model where, in this case, the exports are Mexican workers. The remittances these workers send home help the Mexican economy—last year, \$24 billion in remittances.

Pemex and the CFE (the Federal Electricity Commission) are both state-owned. Neither one has been disciplined by competition for probably the last 70 years. Private or “virtual monopolies”—not monopolies in law but in practice—exist everywhere in Mexico. Telmex, Televisa, Cemex, a number of bread and tortilla manufacturers, the banking sector—these are all areas where only tepid competition is faced at home, thanks to cozy relationships with the government of Mexico.

Creating Jobs in Mexico

Helen Kriebel noted the need for the Mexican government to reform many of its laws, and I would

certainly agree. Price, supply, service, and quality are suffering in Mexico as a result of the monopolies' stranglehold on the Mexican economy. There are other statist, corporatist laws, systems and procedures in place—price supports, subsidies, and special-interest tax exemptions—that give an unfair advantage to wealthy and well-connected businesspeople, restrict competition, and obstruct economic growth. We hope that President Calderón will lead the fight to make significant reforms in this area. We know that he has already begun this fight, and we know he's up against strong odds, but we hope he will persevere and stay the course.

The largest unions in Mexico have had a grip on the Mexican economy in some cases—and in the Pemex union case—since the 1930s. They have immense leverage; they have closed shop prerogatives; they operate without transparency. And even though the overall percentage of unionized members in Mexico is declining, these powerful unions still have a disproportionate influence in the Mexican economy, and that has resulted, basically, in 40 percent of Mexican workers now being in the informal economy because of the rigidity of the labor laws that the unions fight to keep unchanged.

President Vicente Fox, Calderón's predecessor, promised to preside over the creation of six million jobs between 2000 and 2006 in Mexico. Unfortunately (in the absence of needed reforms), only 1.4 million jobs were created in that time. The roughly five million people for whom no jobs were created basically went to the U.S.—between 400,000 and 700,000 illegal immigrants *per year*. So reforming the economy could have very significant practical effects both for Mexico and for the United States. Mexico didn't do as well, really, as it should have in the 2008 *Index of Economic Freedom* that we publish here at Heritage with *The Wall Street Journal*. Mexico's economy scored a 66 out of a possible 100, making it the 44th freest country in the world, but it was ranked only 9th out of the 29 Western Hemisphere countries, well behind the United States, Canada, and Chile. It is even behind El Salvador.

These areas that I've mentioned would, if addressed, help Mexico to improve that score and thereby improve per capita income and job creation in Mexico. As it is, the “supply push” of unem-

ployed Mexican workers to the U.S. has been matched by a “demand magnet” from U.S. employers who are attracted to these Mexican workers. They work hard and in many unskilled jobs that don’t pay as well as other jobs in the U.S. That is not to say that if the illegal immigrants were not here the jobs would go unfilled. However, employers would have to offer more money and then it is likely that there would be Americans who would line up to take them. But as it is, the demand magnet for Mexican workers has been intensified artificially by the fact that this labor is not fully “costed.” It does not include the costs and taxes that I discussed earlier. Right now the wages of illegal workers do not reflect payment of the taxes that would need to be paid by both the employer and the employee to relieve the burden placed on U.S. taxpayers by the increased cost of schooling, health care, law enforcement, et cetera, due to the presence of the illegal workers.

Pemex and Telmex

Just a couple minutes on Pemex. As I said, it has had complete control upstream and downstream of Mexican oil productions, refining and retailing since the time of President Lázaro Cárdenas in the 1930s. At that time, Mexicans were exceptionally sensitive to their sovereignty and to foreign control over what they saw as their greatest national patrimony, the oil reserves, which had been developed by U.S., Dutch, and British companies in the 1920s. So the oil sector was nationalized, but without a lot of thought as to what the long-term effects of that would be. The Partido Revolucionario Institucional (PRI) party that was the party in power for 70 years benefited. During those 70 years the PRI created in Mexico what some pundits at time called “the Soviet Union of the Western Hemisphere.”

The PRI, with very strong links with the Pemex union and the other large unions, such as the electricity union, benefited then and continues to benefit now from this kind of lockout on private participation in these sectors of the economy. Unfortunately, Pemex is running up against the end of easy oil. President Calderón and many other Mexicans know that Pemex needs help now and must permit some private participation so they can develop deep underwater oil resources in the Gulf

of Mexico and elsewhere. Pemex needs imported high technology and more cash. Pemex is going to have to eventually bite the bullet and accept some private participation.

What we hope here, of course, is that the Mexican government does not decide to do joint ventures with state-owned oil companies from authoritarian capitalist or just downright authoritarian countries: China, Russia, Iran, Venezuela. In some ways, the situation with the oil sector in Mexico is similar to what we’re looking at today in Venezuela, and we hope that the Mexican government will turn around and go in the opposite direction to the path Venezuela has chosen. If Pemex did have joint ventures with authoritarian capitalist companies, of course, that would be bad for our companies and for us, I think.

Another area I mentioned is Telmex. Carlos Slim and his company own more than 90 percent of fixed telephone lines in Mexico and 77 percent of wireless. They dominate the industry, and they wield an overly significant amount of influence on regulatory agencies and government decision makers. Their lawyers come up with an endless stream of legislation, *amparos* in Spanish, to fend off and weaken regulatory orders. The OECD has said that telephone costs in Mexico are among the highest in all OECD member countries, so clearly Mexican citizens would be well served and hundreds of thousands of jobs could be created if that sector were really opened up.

As Professor Grayson of William and Mary, a longtime expert on Mexico, has said, Slim and other fat cats in Mexico are impeding the country’s growth because of these monopolies, duopolies, and oligopolies. They have perpetuated an inefficient Mexican economy that is losing its competitive standing vis-à-vis other countries, and especially vis-à-vis Asia. Certainly President Calderón, Ambassador Sarukhan, and many others in Mexico know that. If the Mexican government allowed for private participation, toll roads, et cetera, privatizing some of these utilities, that would benefit everyone.

We hope that the Mexican government will make the painful, but necessary reforms, and that they will take strong steps to implement these reforms during the five years remaining in President

Calderón's term of office. We also hope that the center-left PRI and the further-left PRD (Party of the Democratic Revolution) in the Mexican Congress will see the light and will work to open up some of these sectors. We hope they will realize that they can do so without giving up control over Mexico's sovereignty or the ownership of the assets. These reforms will reduce the supply push. As I said, we hope that the demand magnet is also reduced by the passage of appropriate legislation by the U.S. Congress.

We hope that President Calderón will be the Teddy Roosevelt of Mexico, if you will. Teddy Roosevelt faced similar powerful oil and steel magnates and others in the early 20th century and stood up to them. The Heritage Foundation is not in the habit of urging additional regulation of the U.S. economy very often, but in this case we do think that prudence dictates that the Mexican government take a stronger role to break up these monopolies.

[Ed. note: The Heritage Foundation has previously laid out various principles that ought to shape a temporary worker program. It should diminish the incentives for illegal immigration by providing an additional option for legal temporary labor. It should create a dynamic and revolving workforce that will serve a growing economy. It should also serve our national security and be moderated by serious concerns, not only about the failures of such programs in our past and in other countries but also regarding how a new program would likely be implemented and operate in practice. A temporary worker program must be truly temporary and not open-ended in terms of numbers or duration, and it must address real practical concerns about costs and legal status. A well-structured temporary worker program would be a valuable component of our immigration policy, but an ill-defined and poorly constructed temporary worker program would make the current problems even worse.]

MARCUS BRUBAKER: I'd like to think I can bring a healthy dose of common sense from the American heartland to the immigration debate. To be sure, immigration is an extraordinarily complex

issue because it is inherently tied to our economy and our federal and state budgets—and therefore taxes, national security, and our rights and liberties as U.S. citizens. Therefore, there is no easy fix to this problem. A real solution must take into account these various factors to be truly effective.

Most immigration plans rightfully address increasing our Border Patrol and ICE (Immigration and Customs Enforcement) agents and declare that operational control of the U.S. borders must be a priority. This is true. However, we still require creative, outside-the-box solutions to solve our immigration challenges, and many of these are inspired by the free market. Congressman Sali and I agree that Americans are expecting real solutions from Congress. The wrong legislation or the wrong incremental approach not only risks failing to solve our immigration problems but also lays the groundwork for another round of amnesty, as we saw in 1986—although we know this time the stakes are much higher. For many Americans, this is outrageous and unacceptable.

Overlooked throughout the immigration debate is any meaningful reform of the legal immigration process. As Mark Steyn observed, "America has an illegal immigration problem in part because it has a legal immigration problem.... Anyone who enters the system exposes himself to an arbitrary, capricious, whimsical bureaucracy."² During the debate over the last Senate bill, we talked about amnesty. Regardless of your definition of amnesty, if you're for or against amnesty, in regard to the 12 to 20 million (or however many) illegal aliens are in this country, the fact is that the agencies cannot cope with these numbers. We cannot process them; we cannot adjudicate the cases.

Some Americans like to throw out the "line" metaphor: We want people to get back in line, or to get in line. I'd like to see this metaphor dropped, because anyone familiar with the immigration process knows there really isn't a line. Instead, you file your paperwork, you get an I-797C Notice of Action, and—if you're familiar with the immigration process and many of these visa categories—you'll know that the person next to you who filed a

2. Mark Steyn, "Undocumented Americans," *The New York Sun*, June 11, 2007.

month before may get their adjudication before or after you. There is no line. U.S. Citizenship and Immigration Services (USCIS) adjudicators are often mobilized for different priorities. Clearly, the situation is a mess.

The Ombudsman's Report. I'd like to just quote a little bit from the USCIS Ombudsman's Report, which I encourage everyone to look at. This is the 2007 report; it's 140 pages long. That alone should tell you something. He writes: "One of the most serious problems facing individuals and employers is the complexity of the immigration process. While the Immigration and Nationality Act is a principal statute governing immigration to the United States, there are myriad other laws, regulations, policies, and procedures that affect whether and in what manner a foreign national may enter the United States, seek temporary status, a green card, or U.S. citizenship."³

Many of the pervasive and serious problems detailed in this report are interconnected and stem from the complexity and opaque nature of the immigration rules and the agency administering them. I'm not going to read the 140-page report, but I would like to just touch on some of highlights, which some of you already know.

Pervasive Problems. Backlogs and pending cases: Prospective immigrants continue to face lengthy and costly waiting periods for even the most straightforward cases. Customer service: I like how they call them "customers," prospective applicants. No caseworkers are assigned, in many cases, to prospective applicants; form letters are instead sent in the mail; the inconsistency, and often rudeness, of calling in to the 800 number of the customer service line.

Inefficient or redundant processes: Some applicants have to submit biometric information multiple times, including fingerprints. It's my understanding that the nature of a fingerprint is that it's meant to be permanent and on record. So why the unnecessary resubmissions? Why not offer fast-track services for some visas, as we've seen in other countries? Why can't, for example, K-3 visa holders be granted

immediate work authorization versus having to go through the process on getting the EAD (Employment Authorization Documents) when they're in the country?

Agency Solutions

Moving on to just some possible general solutions to these legal immigration nightmares: It is considered to be an upfront processing model, as encouraged by the CIS Ombudsman. Because immigration is of interest to numerous federal agencies, including the Department of Homeland Security (DHS), the FBI, the Department of Labor, and others, it makes sense to follow the USCIS Ombudsman's proposal on implementing a more front-end model that solicits all the required information that any of these agencies may want in advance—or anything that could be considered of value in the future.

Next, consider moving away from our linear approach to a more hub-based model. Again, considering the numerous agencies involved in processing some visas, for example, the H2B visa. We know H2A is getting some reform. We'll see what happens, but let's look at H2B. Processing times are longer than they need to be because a prospective immigrant's visa is passed from one agency to another. In the case of the H2B, the dossier goes to the Department of Labor, then to CIS, then to the Department of State. So, this is just another example of how many stovepipe agencies must be involved in this process.

Creative Solutions

Next, consider creative solutions for reducing the bottlenecks. We understand that consular officers overseas provide a very important service in filtering out would-be terrorists, drug cartel operatives, or those that would do harm to the U.S., but the State Department has informed Congressman Sali and me that there are a number of creative ways that they can tackle the numbers game abroad. For example, one creative solution for these interviews, to speed up the process, is to consider doing remote interviewing at designated

3. Citizenship and Immigration Services Ombudsman, "Annual Report 2007," June 11, 2007, at www.dhs.gov/xlibrary/assets/CISOMB_Annual_Report_2007.pdf, p. iii (June 19, 2008).

secure facilities. Just another out-of-the-box way of looking at the solution.

Also, we are informed by the FBI that as high as 70 percent of prospective immigrants can be approved, based on the impressive database of FBI records and the collection of biometric information we have on file already. That's a huge number of people as prospective applicants who can be put on a fast track using a "work smarter, not harder" assessment model.

Finally, what about the illegal immigrants already within the United States? Congressman Sali is on record as being opposed to amnesty, and by that, he says that people should enter the U.S. legally and remain in the U.S. legally. Throughout the immigration debate, surely these issues are getting muddled and many people are coming around to the idea that deporting everyone is not a realistic or practical solution. The most conservative estimate I have seen shows that it would cost around \$200 billion to round up all the illegals and deport them. If we spend that kind of money, there won't be money to build a fence on our border.

Finally, we must capture human motivation as a means of encouraging self-deportation and legal entry. Encouraging this through a combined interior enforcement effort and a workable legal immigration process is important. Shift the incentive, the human incentive, to become legal. This does not mean adjusting status in the U.S.A. by waving a magic wand and redefining the status of those already here illegally to become legal through legislative fiat.

The Superior Policy

I'd like to just touch on interior enforcement. The superior policy understands that we will not deport or see an exit of every illegal in this country. Instead, it can be argued that the superior immigration policy, the best—not the perfect, but the best—policy must view this challenge as a numbers game that results in the highest reduction of illegal presence possible while not instituting draconian, expensive, and ineffective regulations that waste taxpayer money.

One smart way of addressing this is just to remove the barriers and restrictions that prevent the

Social Security Administration (SSA) from working with the Department of Homeland Security. I'm not suggesting any privacy invasions, but there is a "work smarter, not harder" solution to this. You can require that SSA send DHS anonymized data that would show the largest concentrations of no-matches between the names and Social Security numbers. Individual information need not be applied, but a Social Security number that's used a few hundred times in a certain area is certainly a red flag and could be a useful tool in having SSA and DHS coordinate their enforcement efforts.

In conclusion, while the U.S. immigration system needs to be overhauled, to be sure, a few commonsense changes can be made and implemented using out-of-the-box thinking, many of them seizing upon the principles of a free market. Some changes are direly needed beyond the common border security measures, especially by making fixes to the broken legal immigration system.

MARIO LOYOLA: I look at the Mérida Initiative, and where a lot of people might see a sort of next generation counter-narcotics effort, I recognize immediately, as anyone from Policy at the Pentagon would, a very straightforward application of the security cooperation paradigm that we developed after 9/11. If you read the National Security Strategy, the National Defense Strategy, you'll see right away many elements of the Mérida Initiative are represented in conceptual outlines in the doctrines that the Pentagon developed after 9/11. And it's important to go back to the questions we faced in 9/11 to understand the real value of something like the Mérida Initiative and the direction that it's hopefully heading in.

Partnership Capacity Building

After 9/11, one of the very basic questions we had to confront is how to fight an enemy that is present in 60, 70 countries with whom we are not at war, many of whom are friends of ours, recognizing that we won't be able to fight it alone, that it won't be a matter principally of military means or even mostly of military means.

The answer that we came up with—to put it in a catchphrase that's been used since then—is partner-

ship capacity building. Partnership capacity building goes to two basic things. We look at the front line in the states where we are facing the threat of transnational terrorist networks, and we realize that the problem in these states is a lack of basic institutional capacity across the board—not just military or even law enforcement, but traditional rule of law, basic services, water, roads, really basic things.

So the security cooperation paradigm that emerges has to be a very full-spectrum kind of thing where we try to achieve a common understanding with partners around the world of what the nature of the enemy is and how we can help them build their institutional capacity, ultimately with the objective of depriving the terrorist networks of what they need to operate, and winning the support of the population and the allegiance of the local population against the terrorist networks that otherwise thrive in an atmosphere where the populations are ambivalent in their loyalty to the central government.

The other component of partnership capacity building that is critical arises from the realization that this is a transnational enemy, and we have to fight it in a transnational way. We have institutions in our country that do law enforcement intelligence, and our partners around the world have similar institutions. The important thing is to create connectivity between those institutions so that just as these transnational networks move more or less freely across borders, our efforts to counter them can do the same thing.

Initially, the U.S. national security establishment concentrated on the terrorist network threat arising in the Muslim world for obvious reasons. But from the very beginning, we weren't just concentrated on Afghanistan and focused on Iraq; we were doing security cooperation in the Philippines, Indonesia, Pakistan, Yemen, Africa—many, many countries around the world—to make no mention of the behind-the-scenes cooperation. Our French allies, for example, were much more helpful behind the scenes than they appeared to be in public at times.

It took us awhile to realize—perhaps too long—that the same enablers, for example, communications in an open and free society, that contributed to making small terrorist cells of 20 and 30 years ago very effective and dangerous terror networks, were

also enabling narcotics trafficking and criminal conspiracies to merge into increasingly effective transnational networks in the Western Hemisphere. So it makes sense that our approach would be in keeping with the approach that we took in the fight against terrorism and terrorist networks of global reach in the years after 9/11.

Confronting Transnational Terrorism

The situation in Latin America, in Central America, and in Mexico is a lot more serious and a lot more dangerous, I think, than many people realize. If you look at it purely from the point of view of terrorist networks that are increasingly capable in the challenge that they pose to the state, you see something like the raging gun battles over the weekend in Tijuana. That's only the tip of the iceberg of what's happening in Tijuana. In Tijuana, you've had police chiefs and local government officials fearful for their lives, murdered, shot at on a fairly regular basis for a couple of years now because they're trying to stand up to these terrorist networks.

When the challenge becomes sufficiently grave that the people who control the security forces are afraid to confront the gangs, it's not just the ungoverned space paradigm that you have to deal with (in which the network has free rein of the municipality), but they also start to absorb the cooperation of corrupt elements of the security forces. That can even start to happen at the national level. And that is very dangerous, because what we've seen in Mexico and Central America is the increased militarization of these gangs. Before, anybody who remembers the days of the TV show *Miami Vice* and so forth, they always had hit men—the Jamaicans, I remember, in the popular culture, and Colombians were an innovation over the typical drug-dealing hit men because they used automatic weapons instead of pistols.

What we're facing today, what the Mexican government is facing, what the governments of Central America are facing is a whole other order of threat. We have not only the weapons array—antitank weapons, very, very powerful weapons—but also ex-paramilitary who know how to use those weapons and know how to use them in an organized way, who know how to use communications equipment to carry out sophisticated tactical operations. Add to

that, lurking in the background—and I know that the Mexican government won't talk about this openly—people are increasingly worried about the support that these networks are gaining from countries like Ecuador, Nicaragua, Venezuela, where, even assuming for the sake of argument that the top leadership hasn't made a conscious strategic decision to support narcotics traffic, you still have a problem. I'm sure that President Correa in Ecuador would be very surprised, even if he's sympathetic to the FARC (Revolutionary Armed Forces of Colombia), to find out how much his government is already helping the FARC at lower levels.

This is a very serious prospect because if the situation is worsening, even if the government of Mexico has obviously over the past year shown itself very committed to the fight against these networks and has made great strides against them, it's hit them hard. Mexico has extradited, like the Ambassador said, 81 people just in the last year. Still, if the enablers are all in favor of the terrorist networks and they're getting increasingly sophisticated support from sections of the governments of Venezuela or Ecuador or Nicaragua, the situation is going to get worse.

Lurking in the background of all this is the fact that Iranian intelligence now operates freely in Venezuela. And where Iranian intelligence lurks, Hezbollah is not far behind. We already know, and we've known for a long time, that Hezbollah is engaged in gun-running in the region of Paraguay and that part of South America. I traveled to Lebanon last year and I saw with my own eyes the Hezbollah flags flying right next to these stupid flags of Che Guevara. However little sense that may make to you, it shows the rule in the Middle East—which the CIA took a long time to learn—which is that ideology is not nearly as impressive to Islamist terrorists as are enemies in common.

The Mérida Initiative in Congress

With all that said, one would think that the Mérida Initiative would be a no-brainer in Congress. Unfortunately, it's going to be uphill in the supplemental. The only reason why we're considering it now in the supplemental for FY 2008 is that it didn't pass in December of 2007 as part of the ini-

tial emergency three- or four-month supplemental. I have to point out, if it's any indication of how many people in Congress think about diplomacy and giving diplomacy a chance, that Congress blocked funding for Mexico for the Mérida Initiative. However, in the supplemental that passed in FY 2007, they gave our dear friends in North Korea \$106 million for heavy fuel oil. What that tells you about congressional priorities, you're welcome to draw your own conclusions.

For supporters of the Mérida Initiative, the legislation represents—and I think the President has indicated that this is his thinking also—a recognition that Mexico obviously has a lot more resources and a lot more money to spend than the countries of Central America. It's an oil producer and so forth. So it's not a normal case of foreign assistance, as the Ambassador said, but we have to recognize that part of Mexico's problem is that these weapons are not coming from Iran, they're coming from the United States, in large measure. The demand that creates the production, supply, and transit through their territory of all of these drugs is also from the United States. For supporters of the Mérida Initiative, it seems a matter of assuming our basic responsibilities as a nation to contribute to the solution in whatever way seems reasonable.

The danger is going to be as we move forward, I suspect. I think this is the feeling of different people in Congress, the danger is going to be that the hardware—the helicopters, the gamma ray scanners, things like that that are geared more toward military applications, for example—are attractive targets for people on the other side of the aisle who are going to want to modify this in accordance with their own priorities. They're going to want to shift resources, probably to more "catchy" kinds of human rights things. It's important to understand that we already have many existing programs meant to encourage the further development of human rights throughout the Western Hemisphere, including in Mexico.

Security Cooperation Relationships

This is an important piece of a security cooperation relationship and of implementing our basic national security strategy, and it has to be viewed in that way. As the Ambassador pointed out, only 40

percent of the monies under the Mérida Initiative are destined for the military. Sixty percent of them are already going to rule of law, to institutional capacity building, and to things that ultimately have to focus on human rights. Nobody has a monopoly on human rights advocacy in the Congress. When the Congress was considering the \$106 million for North Korea, it was almost exclusively conservatives who were pushing for a consideration of the human rights issue. We see that around the world.

Even in terms of national security strategy, the human rights issue is critical because, as I said, the focus of the fight against terrorism ultimately is to deny these networks, whether they be narcotic traffickers in Central America or terrorist networks in the Islamic world, what they need to survive in the

long run. And what they need to survive in the long run is popular support. If you have the population that's just as afraid of the security forces as they are of the criminals, that's precisely what the criminals want to achieve. That's what guarantees their ability to continue to operate and survive, and so that's something obviously that we have to make a big part of the fight.

I'll just wrap up by saying the Mérida Initiative is a long overdue baby step in the direction of what hopefully will be a full-spectrum security partnership to fight common enemies. It's a very encouraging sign that the Mexican government and the U.S. government have come up with such a sophisticated understanding of what the enemy is and the ways in which we can work together to combat it.