

Mexican-U.S. Relations: Increased Tensions

February 1, 2017 (IN10641)

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On January 26, 2017, Mexican President Enrique Peña Nieto [canceled](#) an upcoming meeting with President Donald J. Trump after [exchanges](#) between the two leaders over social media concerning U.S. policies toward Mexico. In an [address](#) on January 25, President Peña Nieto vowed to protect Mexican migrants in the United States who are vulnerable to deportation and reiterated Mexico's refusal to pay for a border wall but also stated his "willingness to reach agreements" if they are in Mexico's interest. Mexicans have [strongly](#) supported Peña Nieto's actions with respect to President Trump. After a phone call on January 27, Presidents Trump and Peña Nieto issued a [joint statement in which they agreed](#) to work through differences as part of a "comprehensive discussion on all aspects of the bilateral relationship."

Advances in Bilateral Cooperation

Until the 1980s, Mexico had a relatively closed economy and an independent foreign policy that was often at odds with the United States. Those policies gradually shifted, however, as Mexico opened its economy to trade and investment and increased collaboration with the United States. Since President Ronald Reagan, every first-term U.S. president has met with his Mexican counterpart either prior to his inauguration or immediately thereafter. Mexican presidents have emphasized collaboration with their U.S. counterparts, most recently on support for Mexico's domestic security and antidrug efforts.

The bilateral economic relationship is important to both countries because of the high level of trade and strong economic ties that connect them. Mexico is the United States' third-largest trading partner, and the United States is Mexico's largest trading partner. Since the [North American Free Trade Agreement \(NAFTA\)](#) entered into force in 1994, North American economies have become more integrated, including through extensive production chains that support thousands of jobs in both the United States and Mexico. U.S. manufacturing industries—including automotive, electronics, appliances, and machinery—all rely on support from Mexican manufacturers. Approximately [40% of the content](#) of imports from Mexico is made in the United States. Some 80% of Mexico's exports are destined for the United States, making Mexico heavily dependent on the U.S. economy. Many people in the poorer regions of Mexico also rely heavily on worker remittances from the United States ([\\$25 billion](#) in 2015), which mostly or completely cover basic

needs and may be used for capital invested in microenterprises.

Mexico has become a strategic U.S. ally in regional and global affairs. For example, as apprehensions of Mexicans on the southwestern border have [declined to near historic lows](#), apprehensions of Central Americans have surged. In response, Mexico apprehended more than 150,000 Central American migrants and record numbers of migrants from Africa and Asia in FY2015 and FY2016. To prevent terrorists from transiting its territory, Mexico has imposed strict visa policies and collects and shares fingerprints and other data on all arrivals with U.S. officials. Law enforcement cooperation has led to the arrest and extradition of hundreds of Mexican drug kingpins over the past decade, including [Joaquin "El Chapo" Guzmán](#).

Mexico's Tough Choices

President Peña Nieto's approval rating has remained extremely low (under 25%) since 2014. Low oil prices, currency devaluation, and investors' unease about U.S. trade policy have [hurt the Mexican economy](#). Peña Nieto's government has struggled to solve high-profile human rights cases, become embroiled in scandals, and faced [security challenges](#), including the rising violence committed by organized crime groups competing to supply U.S. drug demand. Peña Nieto's surprise decision to invite then-candidate Trump for a high-profile visit to Mexico in August 2016 proved [extremely unpopular in Mexico](#), as it failed to influence Trump's rhetoric or positions toward Mexico. Fallout from the visit led to the resignation of Mexico's Finance Minister, Luis Videgaray (who had organized the visit), although Videgaray is now Minister of Foreign Affairs.

Peña Nieto may have [limited room to maneuver](#) in future negotiations with the Trump Administration, as Mexican legislators and businesspeople are urging him to more vigorously defend Mexican interests. Mexico's sovereignty, its economic dependence on the United States, and the desire to preserve advances in bilateral cooperation are influencing Peña Nieto's decisionmaking.

Economic and Political Implications of Tense Relations

President Trump has stated his intention to [withdraw from or renegotiate NAFTA](#) and potentially [tax imports from Mexico](#) to pay for the border wall. Either proposal could have considerable economic consequences. Mexican Economic Minister Ildefonso Guajardo has stated that [Mexico would respond "immediately"](#) if the United States were to impose a border tax and that Mexico would consider [withdrawing from NAFTA](#) if negotiations were not favorable to the country. The United States could face unfair trade cases under the World Trade Organization or retaliatory tariffs on U.S. exports. A potential trade war could disrupt North American production chains, resulting in job losses in both countries and risking economic instability in Mexico.

The Mexican public appears to be [behind President Peña Nieto](#) in his stance toward President Trump, but public opinion could turn against him if he fails to work productively with the Trump Administration. Discontent with Peña Nieto could increase voter [support for Andrés Manuel López Obrador](#), a leftist populist who is unafraid to antagonize the United States, in Mexico's 2018 elections.

Outlook

The United States benefits when Mexico is stable, prosperous, and secure. U.S. interests likely would be impacted if Mexico slipped into a recession or violence escalated, particularly along the border.

Mexican-U.S. relations have generally grown closer over the past two decades. Common interests in encouraging trade flows and energy production, combating illicit flows, and managing environmental resources have been cultivated over many years. As evidenced by [recent events](#), policy changes, or even rhetoric about potential policy changes, that run counter to Mexican national interests can have [consequences for bilateral relations](#). Tensions in these relations [could impact Mexico's willingness to cooperate](#) with the U.S. government on migration enforcement and illicit drug crop reduction, which traditionally have been among many U.S. policymakers' top concerns.