Analysis and Recommendations for U.S. Policy Towards Mexico

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Executive Summary

Strategic Context

The United States-Mexico relationship stands at a critical juncture with interconnected challenges and opportunities across three fundamental pillars: trade, migration, and security cooperation. As Mexico surpassed China as America's largest trading partner in 2023 with two-way trade in goods totaling $807 billion, the economic dimension of this relationship has gained new strategic significance. Meanwhile, irregular migration flows and transnational criminal organizations continue to test bilateral cooperation mechanisms and demonstrate the need for a new approach to the U.S.-Mexico relationship.

Pillar I: Trade and USMCA

The U.S.-Mexico economic relationship offers substantial strategic advantages for the United States in a world shaped by economic competition. Mexico's manufacturing capacity provides the U.S. with a crucial opportunity to reduce dependency on Chinese supply chains, particularly in critical industries like semiconductors, electric vehicles, and rare earth minerals, while building up manufacturing capacity domestically. However, recent protectionist measures threaten to undermine North American competitiveness. The upcoming 2026 USMCA review presents a unique opportunity to strengthen North American integration and economic independence while addressing persistent challenges that impact both nations' prosperity and security.

Key Recommendations:
- Implement stricter rule-of-origin requirements to incentivize North American suppliers to reshore operations in critical industries.
- Create tax incentives to subsidize the upfront costs of nearshoring manufacturing for American businesses.
- Expand regional supply chains for semiconductors, pharmaceuticals, and rare earth minerals.
- Develop a trilateral investment fund to accelerate domestic production of critical components.
- Extend the USMCA beyond 2036 while establishing mechanisms for periodic adjustments.
- Strengthen energy cooperation to enhance regional independence and security.

Pillar II: Migration Management

Irregular migration through Mexico to the United States follows four principal patterns: Northern Triangle migration, transcontinental migration, disproportionately elevated levels of migration from select Latin American states in crisis, and ongoing Mexican migration. Current approaches have proven insufficient to manage these complex flows.

Key Recommendations:
- Build a Latin American Strategic Partnership as a modernized forum to address shared migration challenges.
- Establish trilateral cooperation with Mexico and Guatemala to formalize their border and strengthen enforcement.

- Enhance coordination between U.S. federal agencies and Mexican state-level governments to disrupt smuggling routes.
- Eliminate irregular northbound transit via freight trains through targeted enforcement.
- Conduct comprehensive labor market studies to align temporary worker programs with U.S. economic needs.
- Modernize and expand intelligence sharing systems between the United States and Mexico.
- Implement circular migration programs that facilitate legal temporary work while ensuring return to countries of origin.

Pillar III: Security Cooperation
Transnational security threats—particularly drug trafficking by cartels now designated as Specially Designated Terrorist Groups and weapons smuggling—require modernized approaches to border management and bilateral cooperation.

Key Recommendations:
- Implement reversible border lanes to double enforcement capacity based on daily traffic patterns.
- Establish pre-clearance programs at Mexican ports of entry for enhanced security screening.
- Invest in advanced border technology including Autonomous Surveillance Towers, American-made drones, and AI-integrated scanning systems.
- Create joint task forces focused specifically on arms trafficking and drug interdiction.
- Develop structured training programs between U.S. and Mexican border forces
- Increase frequency of FFL compliance inspections in border states to reduce illicit arms sales.
- Enhance crime gun intelligence sharing between U.S. and Mexican law enforcement agencies.

Conclusion
The U.S.-Mexico relationship represents far more than a border management challenge—it constitutes a strategic opportunity to advance American prosperity and security in an increasingly competitive global environment. By implementing a coordinated approach across trade, migration, and security pillars, the United States can position North America as the world's most economically competitive region while addressing persistent bilateral challenges.
Success will require leveraging emerging technologies, fostering greater regional cooperation extending into Central America, and developing strategic energy initiatives that promote stability and prosperity throughout the region. This approach recognizes the interconnected nature of these challenges and creates mutually reinforcing solutions that serve the long-term interests of both the United States and Mexico.

Introduction

The relationship between the United States and Mexico is a critical aspect of the United States' foreign policy in both the Western Hemisphere and the world. The three key pillars of the United States' relationship with Mexico – security, trade, and migration – are integral contributors to the United States' economy and national security. The resurgence of great power competition and the importance of security at our shared border means the United States' relationship with Mexico is crucial to our foreign policy interests.

In 2023, Mexico surpassed China as the United States' largest trading partner in goods. This deep economic integration across key industries offers the U.S. a strategic advantage in its competition with China and other adversaries that continue to expand influence throughout Latin America. However, recent protectionist policies on both sides of the border risk weakening North American economic strength and resilience. Beyond trade, the U.S.-Mexico relationship faces significant challenges addressing irregular migration and transnational criminal organizations. The flow of migrants through Mexico's southern border and the trafficking of narcotics northward - coupled with the southward flow of illegal firearms - creates complex security dynamics that require coordinated, bilateral solutions.

By pursuing targeted policy adjustments in border security, migration management, and economic integration, the U.S. can leverage its relationship with Mexico to secure vital national interests while promoting shared prosperity and stability throughout North America. This memo outlines a comprehensive strategy for addressing these challenges through practical policy recommendations designed to enhance economic competitiveness, improve border security, manage migration humanely and effectively, and disrupt transnational criminal activities that threaten both nations.

Trade Policy and USMCA

Strengthening trade relations with Mexico will be essential to building a resilient supply chain that supports the competitiveness of the U.S. economy. In 2023, Mexico was the United States largest trading partner in goods, totaling $807bn in two-way trade in goods, surpassing the People's Republic of China (PRC). The U.S. and Mexico are highly interconnected in key industries, meaning that restabilizing and balancing trade with Mexico is critical for American businesses and industries' prosperity. Stabilizing trade with Mexico is also of crucial importance for American consumers, as 20.1% of U.S. agriculture imports come from Mexico, and major automakers such as General Motors and Ford manufacture in Mexico.[i]

Importantly, trade with Mexico gives the U.S. an advantage over the PRC. As the PRC has gained more influence over global trade and increased its presence in Latin America, it has become critical that the U.S. strengthen its relationship with Mexico to bolster North American regional economic independence and competitiveness. Taking advantage of Mexico's manufacturing capacity will help the U.S. to outcompete the PRC in key industries crucial for national security, including electric vehicles (EVs) and satellite manufacturing. Currently, the PRC controls the majority of two key rare earth minerals needed for these industries, which presents an immediate threat to U.S. industries and national security.[ii] As the demand for semiconductors

and other emerging technology increases, the U.S. will be better positioned to compete with the PRC if it cooperates with Mexico to leverage their manufacturing capacity while building domestic capacityto .

Until recently, economic integration with Mexico occurred under the framework of the USMCA; however, the USMCA's framework has been challenged in the current trade landscape, especially as tariffs and protectionist policies have been enacted on both sides of the border. While tariffs are beneficial for encouraging domestic production and consumption, the increased cost of importing ultimately falls on consumers, which makes tariffs on agriculture and manufactured products such as automobiles unsustainable in the long term. More importantly, the shift away from further economic integration, which secures near-shored supply-chains, will make the U.S economy more vulnerable and less competitive in an increasingly unstable geopolitical era.[iii] The USMCA can serve as a vehicle to solidify regional economic leadership, protect national security interests by reducing dependency on adversarial supply chains and strengthening critical infrastructure resilience while promoting long-term prosperity for North America.

The upcoming 2026 USMCA review presents a critical opportunity to align North American trade policy with the broader objective of securing U.S. economic and national security interests.[iv] As the PRC aggressively expands its technological and industrial dominance, leveraging its control over critical materials and supply chains, the United States must take decisive action to counter these threats. The USMCA can serve as a key instrument in this effort by reinforcing North American self-sufficiency in key industries, reducing dependency on

Chinese imports, and securing strategic resources within the region.

Migration

The United States' approach to irregular migration through the Western Hemisphere—particularly the flow of migrants transiting through Mexico—requires a comprehensive reevaluation. In light of evolving regional dynamics, economic instability, and shifting migration patterns, U.S. policy must strike a strategic balance: promoting regional stability and prosperity in high-emigration areas while implementing deterrence measures to reduce pressure on the American asylum system. This dual approach calls for a modernized, regionally coordinated response to address the complex, illicit flow of individuals moving northward through Latin America and into Mexico, ultimately arriving at the U.S. southern border.

Irregular migration to the southern border currently follows four principal patterns:

- **Northern Triangle Migration**: Individuals originating from Guatemala, Honduras, and El Salvador—regions historically marked by high levels of violence, corruption, and economic insecurity.

- **Trans-Continental Migration**: Individuals from Africa, Asia, and other global regions who transit through Latin America to reach the United States via Mexico.

- **Disproportionately Elevated Migration from Select Latin American States**: A notably high number of encounters have been recorded among individuals from Nicaragua, Haiti, Cuba, and Venezuela. These countries are facing

severe political, economic, and humanitarian crises that continue to fuel outbound migration and pose operational challenges for U.S. border enforcement and asylum processing.

- **Mexican Migration**:
  The continuous flow of Mexican nationals to the United States remains a key concern for migration management.

The modernization and expansion of intelligence and information-sharing systems between the United States and Mexico presents a unique opportunity to improve migration management and realistically secure the desired policy outcome of reducing irregular migration. As greater enforcement on the part of the Mexican migration authorities is seen as critical to accomplishing U.S. policy objectives, increased intelligence sharing can assist in addressing the shortfalls in capacity that continue within such authorities.[v] In turn, further access to Mexican intelligence on migrant origins, criminal history, geographic travel routes, and biometric information can bolster U.S. migration controls and the ability to apprehend and deport migrants in violation of U.S. legal codes. The sharing of migrant information through the creation of joint systems can also improve the speed and efficiency of the currently backlogged migration systems on both sides of the border. This cooperation can also accomplish the goal of promoting and enforcing lawful pathways for short-term economic Mexican migration by making tracking and verification more efficient.

The context in which the expansion of migrant intelligence sharing can occur, either bilaterally or trilaterally with Canada, will require inputs from both governments. The Mexican government will have to provide greater guarantees on the safety of its intelligence apparatus, and both nations will need to invest time and resources into improving Mexican intelligence operations through training and the creation of new databases. Such efforts would build on current systems of intelligence sharing, including the United States-Mexico Entry/Exit Data Sharing Initiative, and the Criminal History Information Sharing (CHIS) program between the United States and the Guatemalan government.[vi]

It must be noted that there are limitations to the expansion of bilateral migration intelligence-sharing, including legal challenges regarding data privacy and the lack of migrant information collected by Mexican authorities.[vii] In any negotiations on migration, the United States should not only seek the expansion of intelligence sharing but also the information that the Mexican government collects from migrants, including biometrics. New technologies including AI make facilitate intelligence sharing and make it even more critical to accomplishing the policy objectives of the United States regarding migration.

Addressing these migration flows requires a targeted, contemporary strategy grounded in both deterrence and cooperation. Proposed policy solutions must reflect the complexity of current migration trends, the limited capacity of the asylum system, and the need to reduce reliance on reactive enforcement alone. A forward-looking approach should integrate investments in regional development, expand lawful migration pathways, and reinforce border management through strategic international partnerships—particularly with transit countries like Mexico and like-minded governments in Central America. These efforts must be designed to disrupt irregular

migration networks, ease pressure on the southern border, and offer long-term alternatives that support both U.S. national interests and regional stability.

Security

From 2008 to 2021, the Merida Initiative served as the primary framework for security cooperation between the United States and Mexico. Merida took an approach of "shared responsibility" built on four pillars: combatting transnational criminal organizations; improving and sustaining the rule of law, creating a 21st century border structure, and building strong and resilient communities. Under this approach, the Mexican government pledged to tackle corruption, and the United States pledged to address drug demand and illicit trafficking of firearms and bulk currency to Mexico.[viii] Under Mexico's Peña Nieto administration, security cooperation was temporarily paused but ultimately continued with the arrests and assassinations of high-profile cartel leaders, aided by U.S. intelligence sharing.[ix]

Merida had mixed success rates according to different stakeholders. President Andrés Manuel López Obrador criticized the initiative and the "kingpin strategy" at its beginning under the Calderon administration for leading to increased homicide rates and intra-cartel violence.[xxi] At the same time, the initiative also led to increased cooperation and interoperability between the United States and Mexico's armed forces, improved the use of advanced technology at the border to detect smuggling, and led to the creation of a training academy for Mexican customs to better monitor southbound trade and border activity.[xii]

While renegotiating Merida is not feasible, nor necessarily the best policy, Merida did identify the key shared interest between the United States and Mexico: curbing Cartel

activity on both sides of the border. The United States' primary security concern regarding Mexico is drug trafficking along the U.S.-Mexico border, largely by cartels now designated as Specially Designated Terrorist Groups (SDTGs) under Executive Order 14157.[xiii] Mexico's primary concern is arms smuggling from the United States, often by these same cartels, directly contributing to the increased violence in the country. However, to effectively address the interests of both sides, any policy must focus beyond just the United States-Mexico border. The importance of this aspect of security cooperation is best exemplified by former-President Biden and President Andrés Manuel López Obrador's work on migration. Between December 2023 and January 2024, U.S. Customs and Border Patrol reported a 50% decrease in migrant crossings. According to President López Obrador, this resulted from "[being] more careful with [Mexico's] southern border" and by working with governments in Central America.[xiv]

Looking forward, security cooperation with Mexico must include a comprehensive border strategy to curb cartel activity, arms trafficking, and drug smuggling and increased cooperation through Mexico at its Southern border and ports of entry.

As part of this strategy, emerging technology will play an increasingly important role. From drone surveillance to AI-integrated scanning technologies, there are numerous successful programs already in the pre-deployment and deployment stage.[xv] American industry and the private sector stand to gain from future innovation and collaboration with CBP. Expanding autonomous surveillance towers, using exclusively American-made drones for surveillance and counter-narcotics operations, and accelerating the development of AI-integrated scanning

systems for commodity detection at Points-of-Entry will all greatly benefit the security interests of both the United States and Mexico.

Policy Recommendations

Border Security, Enforcement, and Modernization

Reversable border lanes to double enforcement capacity at the U.S.-Mexico border. According to subject matter experts, traffic at many of the U.S.-Mexico border crossings follows a pattern based on time of day, with northbound traffic heaviest in the morning and southbound traffic heaviest in the afternoon. Based on this pattern, implementing reversable border lanes based on time of day would reduce wait times at the border and double enforcement capacity.[xvi] This would immediately double the number of lanes, thereby reducing traffic wait times. Mexican and American border enforcement working together would also mean doubled enforcement capacity and improved data collection by using the same systems for processing traffic at the border. To fully implement this, the U.S. and Mexican border enforcement would have to interoperate, using the same databases and systems for processing travelers and migrants at the border. Interoperability would have to expand beyond systems to standard operating procedures for handling vehicle inspections, apprehensions, and encounters outside of the border lanes themselves.

Implement pre-clearance for customs and migration at Mexican ports of entry. Based on interviews with subject matter experts, implementing pre-clearance at Mexican airports and marine ports would benefit both the United States and Mexico. U.S. Customs and Border Protection (CBP) currently operates at 15 locations across the world with U.S. CBP agents stationed at foreign airports to inspect and process travelers and their items prior to boarding U.S.-bound flights.[xvii] Implementing pre-clearance would allow U.S. CBP to have an armed presence at Mexican ports of entry and would make Mexico more competitive, creating a win-win for both sides. Benefits of pre-clearance include improved threat detection, access to less expensive U.S. domestic gates, increased trade and stronger business ties between the U.S. and pre-clearance destinations, and reduced penalties and costs associated with the repatriation of inadmissible passengers.[xviii] Responsibility for funding pre-clearance would be shared between the U.S. and Mexico in line with the normal breakdown of expenditure, with Mexico paying for the capital expenditures, and operational costs shared between the U.S. and Mexico.

Invest in and expand the use of advanced technology to secure the U.S.-Mexico border. Expanding the use of Autonomous Surveillance Towers (AST) and sharing the intelligence they collect will augment the capabilities of U.S. and Mexican authorities. The wider range and spread of these AI-assisted towers reduces the toll on both U.S. and Mexican authorities while using image-detection software to monitor and detect threats and determine patterns. Using data from ASTs, CBP is better able to allocate its resources in specific locations.[xix] This will allow increased intelligence sharing and cooperation while benefitting U.S. industry, which manufactures the towers.[xx]

Additionally, the U.S. should increase the use of domestically produced unmanned aerial vehicles (UAVs) in border protection and counter-narcotics operations. There

have already been multiple successful instances of U.S. military UAVs providing intelligence to Mexican authorities that led to the interdiction of cartel members.[xxi] This intelligence sharing and cooperation should continue. However, expert interviews have indicated that in previous border surveillance operations, the U.S. has used Chinese UAVs such as the popular DJI drones. For a more secure border security enterprise, CBP should ensure UAVs are purchased from U.S.-based manufacturers.

Finally, AI scanning technologies, including existing pre-deployment projects such as DHS-69 and DHS-313, should be rapidly completed and fully funded for better enforcement and intelligence gathering.[xxii] The integration of x-ray screening technology assisted by advanced neural networks is a critical tool for helping border enforcement detect anomalies that could lead to hidden contraband.[xxiii] Citing the smuggling of small fentanyl pills and other contraband by U.S. citizens at border crossings, one expert interview urged the development of this technology.[xxiv]

U.S.-Mexico Border Force Capacity Training. Establish structured training programs between U.S. Customs and Border Protection (CBP), Mexico's Guardia Nacional, and the Instituto Nacional de Migración (INAMI) to enhance border security capabilities. These programs should focus on intelligence-sharing, operational coordination, and best practices for managing border crossings, combating human trafficking, and disrupting organized crime activities. Implementing simulation-based training and real-world scenario exercises (Tabletop and Field Exercises) would improve the ability of Mexican forces to respond to irregular migration flows and

transnational security threats. Training should emphasize coordinated rapid response, humanitarian considerations, and adherence to international legal frameworks to ensure border enforcement aligns with human rights obligations. Developing long-term training strategies that include mentorship programs, technical assistance, and resource allocation for Mexican agencies will involve equipping personnel with advanced surveillance technology, data analysis skills, and crisis management techniques to enhance Mexico's ability to independently manage its southern border while maintaining strong cross-border cooperation with the U.S.

Weapons and Drug Trafficking Enforcement

Create a comprehensive enforcement strategy for reducing illicit arms sales and trafficking before the border. ATF enforcement of Federal Firearms Licensees (FFL) regulations relies heavily on voluntary reporting, especially in states along the U.S.-Mexico border. The ATF should increase the frequency of FFL compliance inspections, prioritizing gun dealers in border states where most trafficked firearms originate.[xxv] This will also require both governments to prioritize crime gun intelligence sharing between federal, state, and local law enforcement agencies (LEAs) in the U.S. and Mexico. Intelligence on local patterns of diversion and cross-border movements of traced crime guns is time-sensitive. Recent ATF data has illustrated the time between the last recorded sale and use in a crime of illegally trafficked firearms in Mexico has decreased over time,[xxvi] necessitating robust cooperation between LEAs in the U.S. and Mexico to disrupt the cross-border illegal gun market.

LEAs in border states and communities should engage in further intelligence sharing with Mexican state and federal police to pursue traced crime guns and traffickers on both sides of the border.

Develop an interagency task force on arms trafficking. Joint Task Force Alpha and Joint Task Force Vulcan, under the leadership of the Department of Justice, have facilitated successful interagency cooperation between the FBI, ATF, DEA, and U.S. police forces to counter human smuggling and MS-13 respectively. Recently, their mission mandate was expanded to include illicit drug trafficking. Establishing a task force focused solely on international arms trafficking can facilitate a whole-of-government approach to prosecute transnational arms flows well before they reach the border. Organizing a task force would also serve to coordinate law enforcement investment from a variety of government agencies and direct funding towards capacity building and intelligence sharing in Mexico. Further, an IATF can serve as a point of contact for LEAs in Mexico cooperating on international trafficking.

Migration Management

Build a Latin American Strategic Partnership. Establish a regional forum in partnership with Mexico for Latin American governments to collaboratively address shared migration challenge with the objective of phasing out unilateral policies that inadvertently encourage trans-continental migration. This body would serve as a modernized counterpart to the Los Angeles Declaration on Migration and Protection, focusing on coordinated,

practical solutions to internal policy issues. Key priorities could include re-evaluating visa entry requirements in Ecuador; disrupting established smuggling routes through the Darien Gap; redesigning and strengthening enforcement at ports of entry in Central America; imposing tighter controls on outbound migration from Venezuela; and eliminating the conditions that enable the formation of migrant caravans. Part of building this strategic partnership will include trilateral cooperation with Mexico and Guatemala to develop a strategic plan with both states to formalize the Mexico-Guatemala border. With an established border and American guidance, both states can codify and institutionalize established ports of entry, reducing the illegal flow of individuals from Guatemala into Mexico. Through joint training programs with Mexico's Instituto Nacional de Migración (INAMI) and Guatemala's Instituto Guatemalteco de Migración (IGM) the three nations can operate with a coordinated approach to protect shared objectives guided by U.S. federal agencies. Beyond working trilaterally with Mexico and Guatemala and building regional cooperation among Latin American states, the U.S. should also work to establish targeted migration agreements with governments in Latin America that align with a more stringent approach to border security and migration regulation. Countries like El Salvador, Panama, and Costa Rica, which have implemented tougher immigration policies, can serve as regional partners in deterring irregular migration through shared enforcement efforts, intelligence exchange, and coordinated deportation or repatriation programs.

Eliminating migrant smuggling routes.
Enhance coordination between U.S. federal
agencies and Mexican state-level
governments along the northern border, with
a focus on identifying, disrupting, and
ultimately dismantling established migrant
smuggling routes. By expanding partnership
beyond Mexican federal LEAs to state-level
law enforcement entities, specifically the
Policía Estatal, U.S. agencies can increase
their operational influence and policy
engagement, taking advantage of local
politics without being constrained by the
limitations imposed on direct involvement
with Mexican federal institutions,
particularly those enforced through the
executive branch and the Guardia Nacional.

**Eliminate irregular northbound transit
via freight trains in Mexico.** Establish a
dedicated task force through a strategic
alliance with the Guardia Nacional and
freight operators such as Ferromex and
Ferrosur to enhance control and surveillance
of cargo trains frequently used by migrants
traveling north. The initiative should
implement targeted enforcement measures
aimed at preventing unauthorized boarding
and reducing the use of freight rail as a
means of irregular transit. This approach
must be coordinated, consistent, and
prioritize deterrence while ensuring
operational effectiveness along key rail
corridors.

**Reducing illegal migration & addressing
labor force shortages.** Conduct
comprehensive labor market studies to
identify critical industries in the U.S. that
rely on undocumented labor, such as
agriculture, construction, hospitality, and
manufacturing. Aligning these findings with
temporary work visa programs like H-2A
and H-2B will create legal pathways for
Mexican workers, reducing the incentive for
irregular migration. U.S. and Mexican

authorities should collaborate to enhance the
efficiency and accessibility of temporary
worker programs by reducing bureaucratic
hurdles, improving processing times, and
ensuring fair wages and working conditions.
Moreover, increasing the annual cap for H-
2B visas and creating industry-specific pilot
programs to match demand with a legal
labor supply will benefit U.S. industries
while reducing illegal migration. To
facilitate circular migration, the U.S. should
develop structured temporary work
programs that allow workers to return home
with earned wages and skills. Additionally,
implementing reintegration initiatives in
Mexico, such as financial literacy programs
and workforce training, will support long-
term economic stability and reduce the need
for future irregular migration.

Economic Integration and Competitiveness

**Boost economic competitiveness by
implementing rule-of-origin requirements
and investing in AI, semiconductor, and
other emerging industries.** Stricter rule-of-
origin requirements should be implemented
to incentivize North American suppliers and
reduce reliance on foreign inputs,
particularly in critical industries such as
automotive and steel manufacturing.
Specifically, the U.S. should increase the
North American content threshold for key
industries to reduce dependency on Chinese
and other foreign manufacturers and provide
federal tax credits and subsidies for
companies that reshore or nearshore supply
chains to the U.S. and partner nations.
Temporarily taking advantage of Mexico's
manufacturing capacity would give U.S.
companies time to build domestic capability
while keeping up with demand. This would
be especially beneficial in sectors such as
semiconductors and other advanced
technologies, where there is a high up-front

cost for building manufacturing facilities. In the long-term, the U.S. can build on policies from the Inflation Reduction Act (IRA) that gave $400 billion for companies to produce electronic charging machines, where the money would cover 80% of companies' startup costs. Expanding this policy to the production of state-of-the-art semiconductors for use in Biotech, Quantum Computing, and AI would increase jobs in the long-term, strengthen the U.S. manufacturing industry, and ultimately position the U.S. to out-compete the PRC.

Improve supply chain security.

Expanding regional supply chains for critical industries—such as semiconductors, pharmaceuticals, and rare earth minerals—is essential for reducing dependencies on foreign sources, particularly from non-allied nations. Additionally, energy cooperation should be enhanced to promote regional security. Establishing a trilateral investment fund will accelerate domestic production of critical minerals and high-tech components while expanding tariffs on Chinese imports will disincentivize dependence on adversarial supply chains. Strengthening energy security agreements among the U.S., Canada, and Mexico will ensure a stable supply of fossil fuels and renewables, reducing vulnerabilities to foreign energy manipulation and benefitting the U.S. as an energy exporter. However, this will require expediting permitting processes for energy and infrastructure projects critical to North American trade resilience.

Utilize tax incentives to subsidize upfront costs of near-shoring and reshoring manufacturing for American businesses.

By leveraging Mexico's IMMEX program and devoting some of the new collected duties from the closing of the Section 321 loophole, businesses are incentivized to build in North America because of cheaper startup costs. Furthermore, long-term benefits for the companies include cheap labor and overall lower supply chain costs with the reduction of travel distance between raw materials, manufacturing plants, and consumers compared to having manufacturing based in the PRC or Vietnam. IMMEX's incentives such as duty-free import of raw materials, value-added tax exemptions, and lower corporate taxes make investing in Mexico more attractive. With close collaboration with Customs and Border Protection as the lead implementing agency in respect to USMCA, the U.S. can take the revenue from import duties on Chinese small-value exports to the U.S. and use that money to into invest in manufacturing in America, whether in agriculture, automobiles, or emerging industries like semiconductors and AI, to make the U.S. more prosperous and globally competitive.

Development through the energy matrix.

Expanding natural gas pipelines from El Bajío through the southeast of Mexico (Campeche, Chiapas, Oaxaca, Tabasco, and Yucatán) and into Central America will benefit American energy producers as well as Mexico's economy and development. Exporting natural gas from the U.S. will provide the energy necessary for regional development and prosperity, which will boost regional stability, counter foreign influence, and ultimately lead to more secure borders and less migration. Moreover, U.S.-led natural gas and clean energy projects will create jobs, strengthen

the U.S.' position as an energy exporter, increase North American energy independence, and strengthen the American economy.

Maintain stability for the 2026 USMCA review. USMCA should be extended beyond 2036, preventing the uncertainty that a potential expiration could cause. A formal agreement among the U.S., Mexico, and Canada to extend the sunset clause would reassure industries and encourage continued investment. Additionally, mechanisms should be put in place to allow for periodic but limited adjustments without requiring a full renegotiation, ensuring the agreement remains adaptive while preserving stability for business and industry. Proactively negotiating an extension of the agreement would minimize the uncertainty associated with the sunset clause and reaffirm North America's economic cohesion, strengthening U.S. competitiveness on the global stage. Moreover, creating a trilateral working group focused on evaluating and suggesting periodic, targeted adjustments to the agreement would allow for necessary changes without the disruption of a full renegotiation.

Conclusion

The United States-Mexico relationship stands at a critical juncture that will shape North America's security, prosperity, and global competitiveness for decades to come. As criminal organizations, irregular migration, and global economic competition continue to challenge the United States' foreign policy goals, strategic cooperation with Mexico stands as a clear path to strengthen North American independence and the United States' position in the world.

The policies recommended in this memo provide a comprehensive framework for strengthening this vital relationship across three interconnected pillars: security, migration, and economic integration. By implementing these targeted initiatives— from reversible border lanes and enhanced technology deployment to strategic regional partnerships and supply chain integration— the United States can leverage its relationship with Mexico to advance critical national interests while fostering credibility and shared prosperity.

The successful implementation of these recommendations depends on sustained diplomatic engagement and a recognition of how policy decisions now will shape our nations' shared future. By building on existing frameworks while pursuing innovative solutions, the United States can forge a relationship with Mexico that strengthens regional stability, reduces uncertainty, and secures U.S. interests for future generations.

Endnotes

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