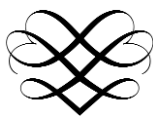


ANXIETIES
WITHOUT BORDERS:
THE
UNITED STATES, EUROPE
AND
THEIR SOUTHERN NEIGHBORS



Report of a
Pacific Council on
International Policy
Workshop



PACIFIC COUNCIL ON
INTERNATIONAL POLICY

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The Pacific Council on International Policy aims to promote better understanding and more effective action, by private and public sector leaders from the western United States and around the Pacific Rim, in addressing a rapidly changing world. The Council emphasizes the connection between global and local developments as national borders become more porous, traditional concepts of “public” and “private” blur, and what constitutes “policy” itself is changing.



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If the last half of the 20th century was shaped largely by east-west relations, will the first decades of the 21st century be defined along north-south lines? Europe and the United States are increasingly affected, as societies, by developments on their southern peripheries – the southern Mediterranean states of North Africa and the Middle East in the case of Europe; Mexico, Central America and the Caribbean in the case of the U.S. Journalists, analysts and policymakers point to analogies between the Mediterranean and the Rio Grande, and the list of policy challenges – migration, trade and investment, transnational security issues, and questions of culture and identity – is outwardly similar.

Beyond broad analogies, American and European approaches to their southern neighbors are *asymmetrical* in key respects, driven by changing ideas about identity, security, and the conduct of foreign policy on both sides of the Atlantic. Whatever the challenges emanating from the south, U.S. and EU approaches to their respective southern peripheries say as much, or more, about the evolution of societies in the prosperous and relatively secure north. Moreover, both Europe and the U.S. have a stake – probably more pronounced in the case of the U.S. – in the evolution of the more distant “south” across the Atlantic.

2005 is the tenth anniversary of the establishment of the Euro-Mediterranean Partnership – the Barcelona Process – linking the European Union with partners in North Africa and the Middle East. The North American Free Trade Agreement, linking Canada, Mexico and the U.S., entered into force in 1994. So, in a rough sense, there has been a decade of formal, if very different, north-south experience on both sides of the Atlantic. In Euro-Mediterranean as well as North American relations, there is a mood of reflection and reassessment, and an ever-closer linkage between north-south relations and domestic concerns. As policymakers explore ways to reshape transatlantic relations, badly tarnished over the last few years, common challenges in a North-South context are a promising topic for collaboration, with a range of new participants outside the traditional Washington-Brussels axis.



THE CHALLENGE OF THE NEAR ABROADS

Russians use the term “near abroad” to describe those areas on their southern periphery where Russia has a particularly intimate sense of interest, and by implication, a natural engagement and responsibility. The term has developed negative connotations in the west, largely because of its association with resurgent Russian nationalism and intervention. That said, it is a useful term in many respects, and in other settings. It conveys a sense that some aspects of international policy are more closely linked to domestic interests than others, and that even in a globalized environment, distance – or the lack of it – matters.²

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Europe and the United States appear to face similar challenges in relations with the relatively poor and insecure societies to their south. In both cases, it is possible to look beyond the immediate neighborhood to a wider region, embracing the “broader Middle East and Africa” on the one hand and Latin America as a whole on the other. In certain respects it is useful to talk about the larger relationship between north and south on a global basis; in others, a more limited approach focusing on individual nations proves instructive. In terms of scale, identity and geopolitical significance, the most interesting comparison might well be between Turkey and Mexico.

This analysis focuses on the mid-range geopolitical context, comparing approaches to the Mediterranean region on the one hand, and Mexico (and to a lesser extent, Central America and the Caribbean) on the other. It is a frame large enough to capture the leading political, economic and security dynamics on both sides, and importantly, corresponds to the key contemporary initiatives in north-south relations: the Euro-Mediterranean Partnership (the Barcelona Process); and NAFTA and the Central American Free Trade Agreement (CAFTA).

The European Union’s engagement with the south is arguably the leading area for Europe’s foreign and security policy involvement, whether bilateral or via the EU. The countries of North Africa and the Levant are firmly within the EU’s orbit, politically and, above all, economically. Europe may be a relatively weak global actor when compared to the U.S., but in the Mediterranean, Europe is a “full service” actor, capable of playing an active role across a range of issues, including security. The challenges of migration, identity and stability emanating from across the Mediterranean are now at the forefront in policy terms across Europe. The December 2004 European Council decision to open formal accession negotiations with Turkey in October 2005, however hedged and conditional, will only sharpen the debate on these questions in the years ahead.

The American stake in developments to the south, above all in Mexico, is no less pronounced. But in contrast to the situation across the Atlantic, the prominence of north-south issues, especially migration, has not produced a consistent policy of engagement with Mexico or with Latin America as a whole. Compared to the Barcelona Process, NAFTA and CAFTA are narrower in scope, and are focused almost entirely on trade and investment. Transnational challenges may loom large in the American policy debate on a regional basis – in the key border states of California and Texas, and in Florida, but the center of gravity of U.S. foreign and security policy is to be found elsewhere – in Europe, the Middle East and increasingly, Asia. To some extent, this reflects the distractions inherent in foreign policy making on a global scale. It also reflects some critical differences in American and European perceptions of interest in their respective “near abroads,” and the varied nature of societies and institutional partners to the south. Despite apparent geopolitical similarities, the texture of north-south concerns and interactions is different when seen in transatlantic perspective.

Thinking through these questions is particularly important today, as Europe and North America are both engaged in debates about identity, prosperity and security, all tied in significant ways to relations with southern neighbors. Moreover, the current frictions in transatlantic relations are, in large measure, about differences over policy on Europe’s southern periphery, across the broader Middle East. In the Western hemisphere, as well, there are important differences in approach to Cuba, drug interdiction and trade. Europe and the U.S. have a shared stake in developments in the south, on both sides of the Atlantic, and convergence or divergence in this area will have a pronounced effect on the overall quality of transatlantic relations in the future. Closer attention to comparative approaches, and possible policy “lessons,” is warranted.³

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AMERICA LOOKS SOUTH

North-South relations have an established place in the geopolitical traditions and strategic outlooks of Europe and the United States. But attention to this aspect of international policy has varied substantially over time. On both sides of the Atlantic, the pattern has been one of periodic rather than continuous engagement, but with important periods during which north-south relations have been the center of gravity in foreign and security policy terms.

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In the early years of the republic, American foreign policy was focused in large measure on territorial and economic consolidation. In both contexts, the southern border – and adjustments to this border – played a key role. The contemporary American debate about migration and relations with Mexico is surprisingly divorced from this history. Few Americans are aware that much of the modern west and southwest was carved from Mexican territory (a fact that remains alive in the minds of many Mexicans). The progressive expansion of American population and lines of communication westward naturally created new borders and new economic interactions to the south – but without much effect on the fundamental cultural and political outlook of American society which, as Samuel Huntington reminds us, remained tied to the “Anglo-Protestant” culture of the founders.⁴

Early American foreign policy was strongly influenced by the mercantilist tradition that dominated European thinking through the late 18th century, with its emphasis on direct access to valuable resources and control over regional trade. Trade with Mexico, and more importantly, with and through the Caribbean, was an important part of this system, and was often portrayed in a competitive, transatlantic context. The assertion of U.S. interests and influence in the face of persistent European presence and activity in Latin America and the Caribbean – the assertion of a natural right to leadership in western hemisphere affairs through the Monroe Doctrine – was a key tenet of American foreign policy through the 19th century and beyond.

One of the notable features of the 19th century experience was the way in which European and American policies remained assertive inside the other’s sphere of influence. European powers never fully retreated from a position of territorial and economic presence in the Western Hemisphere. At the same time, the U.S. began to assert itself as a diplomatic, economic and military actor in the Mediterranean, via anti-piracy operations in North Africa and as a leading player in the “Turkey trade” with the Ottoman Empire. Europe and the U.S. have been powers, not only on their own peripheries, but also in the transatlantic south, for 200 years.

American activism to the south was derivative of the wider competition with European powers, particularly Spain, and the desire to consolidate American influence in the hemisphere. In the 20th century, despite the growing economic penetration of the U.S. throughout the western hemisphere, and periodic frictions with Mexico, the “south” was relatively peripheral to American strategists increasingly focused on power balances across the Atlantic and in the Pacific.

The American geopolitical tradition has never been as pervasive or cohesive as in Europe, and has lacked a strong ideological component. “Manifest destiny” aside, American geopolitical thinking has, for the most part, been more about geography and less about politics – closer to Mackinder than Haushofer. The U.S. has contributed at least two geopolitical theorists of international standing, Alfred Thayer Mahan and Nicholas Spykman. Both asserted the importance of national control over essential communications within the western hemisphere. By the interwar years, and with the experience of maritime interdiction during the First World War, strategists such as Spykman – a particular favorite of Franklin Roosevelt – warned of the dangers of “hemispheric encirclement,” in which the growing capacity for power projection from Europe could eventually isolate the U.S., economically and strategically.

These fears supported an interventionist approach over voices of isolation in the late 1930s, and encouraged an approach to relations with Mexico and Central America based on the nexus of economic and security concerns. The economic resources of the south, whether labor from Mexico or petroleum products from Aruba and Trinidad, were viewed as important components of American power and potential in light of wartime needs. The experience of the two world wars encouraged, at least for a time, a hemispheric – really a North American – approach to political economy that has been more elusive in the period since 1945.

During the Cold War years, north-south relations were driven overwhelmingly by concerns about the political evolution of societies to the south, and their orientation in east-west terms. Beyond the persistent example of Cuba, American policymakers have been consistently sensitive to perceived security challenges emanating from Central America and the Caribbean, whether in the Dominican Republic, Guatemala, Nicaragua, Grenada or elsewhere. Even in the post Cold War era, instability in Haiti has spurred American intervention, driven by humanitarian and immigration concerns, if no longer by ideology and the fear of proxies.

Despite its divergent approach to Cuba and other issues, Mexico has been less of an ideological and security concern for American strategists over the last fifty years. In theory, developments in Mexico should have the greatest potential to affect the security interests of the U.S., broadly defined. The best explanation for this relatively laissez-faire attitude may have been decades of predictable PRI rule and diffuse politics on the left, together with Mexico’s prickly nationalism and tradition of non-intervention in

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regional affairs. As American security interests came to be seen in more diverse terms after the end of the Cold War, the stability of the Mexican economy could not be ignored. Against this background, it is not surprising that the Clinton Administration engineered a substantial bail-out of the Mexican financial system when it was threatened with collapse. Throughout the Cold War and post-Cold War period, the complex web of economic relations between the U.S. and Mexico made an overtly adversarial relationship inconceivable for both sides, despite marked political differences.

NAFTA, which has been in place since 1994, is roughly contemporary with the launch of the Euro-Mediterranean Partnership (although the EU already had in place a number of bilateral trade and association agreements with southern partners). It has certainly strengthened economic interaction within North America. As an engine for economic development and integration, it remains controversial on both sides of the U.S.-Mexico border, and in Canada. Advocates in the mid-1990s pointed to the agreement's potential as a competitive counter to growing regional integration in Europe, and possibly in Asia. A decade later, the integration and cohesion (i.e., distributive) effects of NAFTA appear very modest when compared to progress within the EU over the same period. In these terms, as a geopolitical gambit, NAFTA has been unimpressive. The U.S.- Central American Free Trade Agreement – CAFTA – signed in May 2004, and awaiting Congressional approval, is cast as a regional agreement, implemented on a bilateral basis.⁵ Like NAFTA, it is tightly focused on trade, but with little pretense to integration on a European model. Lacking political, security and cultural dimensions, it is also much narrower than the Euro-Mediterranean Partnership. The agreement faces considerable opposition in Congress, and its ratification is far from assured.

Seen over two centuries, and apart from brief periods of attention and intervention, what is most striking about the American approach to the south is its progressive march to the margins in American international policy. American specialists on Latin America have long bemoaned the tendency to ignore relations in the western hemisphere, and successive administrations have duly proclaimed the importance of the southern neighbors – especially Mexico – only to have their attention captured by developments elsewhere. One explanation is the way in which international policy has been defined. In terms of high politics between states, traditional diplomacy, and security in conventional terms, America's southern engagement has been limited and sporadic. The U.S. has paid declining attention to the region over time, as the country has acquired global interests. Seen in terms of the myriad transnational interactions affecting American society, however, the southern neighborhood looms large. Future changes in the priority given to relations with Mexico, in particular, may be driven more by new definitions of international policy than by developments in north-south relations per se.⁶

EUROPE LOOKS SOUTH

Europe, of course, is the heir to a much longer tradition of engagement with the south, which for much of European history is more accurately described as an encounter with the Muslim “orient.” The roughly one thousand-year confrontation between Europe and Islam, first in North Africa, and later with the Ottoman Empire, has been described by Ada Bozeman as “the first Cold War.” It has left a lasting impression on the popular and strategic culture of Western and Eastern Europe, and has re-emerged as a factor in contemporary debates about security and identity.⁷ Engagement to the south, around the Mediterranean, was the center of gravity of European and indeed global affairs for millennia, and was only overtaken by rising attention to the Atlantic. Until the 15th century, to speak of Europe’s engagement with the world was to speak of relations around the Mediterranean. The discovery of the Cape route around Africa to the East Indies changed power balances within Europe, and between Europe and the Ottoman Empire. It also ushered in a 500-year period of progressive decline in the strategic importance of the Mediterranean in world politics.

This decline was not, of course, continuous. The opening of the Suez Canal led to a revival of geopolitical interest in Mediterranean lines of communication for France, and above all Britain, just as the opening of the Panama Canal spurred American interest in the strategic value of Central America and the Caribbean. In both world wars, and on both sides, there were strong proponents of strategy oriented toward the south. In the case of France, the connection was literally a national one, with Algeria an integral part of France until Algerian independence. Spain and Italy have had their own experiences with colonialism in North Africa and the Middle East, and although there are few territorial remnants of this presence today – the Spanish enclaves of Ceuta and Melilla in North Africa are still a source of friction with Morocco – the colonial legacy is strongly imprinted in perceptions around the Mediterranean.

Mexico’s nationalism and sovereignty consciousness in relations with the U.S. have clear parallels in north-south relations on the other side of the Atlantic. In some respects, the most striking parallel is with Turkey, where the collapse of the Ottoman Empire and the emergence of modern Turkey were closely bound up with defeat and near dismemberment at the hands of the allied powers. Almost ninety years later, Turkish-European relations are still not entirely free of suspicions created in this period (Turkish writers have coined a phrase – the “Sevres syndrome” – to describe this paranoia).⁸ Elsewhere around the Mediterranean, and particularly in Algeria and Egypt, concerns about European interference and intervention remain a prominent part of the political landscape, overshadowed in recent years by more pronounced worries about U.S. policy.

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Europe's post-colonial, postwar reengagement with the Mediterranean south owed something to the Gaullist vision of a "Mediterranean for the Mediterraneans," and the desire to reassert European interests in the face of American and Soviet involvement across the region. But the real impetus for Europe's Mediterranean policy came in the late 1980s and early 1990s, with the completion of the EU's own enlargement to Southern Europe (Portugal, Spain and Greece), and with growing fears of large-scale migration from North Africa. Above all, the crisis in Algeria from 1992 onward spurred EU interest in a concerted multilateral policy toward the Mediterranean periphery. In fact, south-north migration of the kind envisioned in that period did not materialize for over a decade. The migration challenge is now more pronounced, and has been strongly reinforced by security risks. Today, after decades of concern about developments in the East, the Mediterranean south is the leading focus of European concerns, both internal and external.



TWO APPROACHES TO ECONOMICS AND DEVELOPMENT

The principal institutional frameworks for north-south relations – the Barcelona Process and NAFTA – are now roughly ten years old. They represent strikingly different approaches to the challenges of economic integration, development and north-south relations. Both processes are widely seen as valuable, but troubled.⁹ They have also had very different regional implications, with NAFTA spurring other important integration efforts in Latin America.¹⁰ The Barcelona process has had little effect of this kind within the Middle East, or on a sub-regional basis, in the Maghreb and the Levant. NAFTA, as a North American initiative, has a very important U.S.-Canada economic dimension, more akin to single-market aims within the EU itself than to integrative efforts across the Mediterranean. Above all, Barcelona aims at broad, political, cultural and economic engagement, whereas NAFTA and related initiatives are firmly focused on trade.

For Europe, Turkey is a key part of this equation; part of the Barcelona process, but also part of the process of formal EU enlargement. Indeed, over the last few years, the lines between Europe's engagement with non-members in the south and its own enlargement process have become less clear. The trend is toward the development of an overall EU strategy toward those areas on the periphery that remain outside current enlargement plans, whether in North Africa and the Middle East, or in Eurasia. The evolution of this wider neighborhood policy will have important implications for longstanding relations with southern Mediterranean countries, with the possibility that the Barcelona framework will eventually be subsumed within a larger engagement strategy for the entire EU periphery. This trend toward ever-wider frameworks for external economic and political relations has no real parallel in U.S. policy, beyond the interest in negotiating new regional and bilateral trade agreements – CAFTA, and the elusive Free Trade Agreement of the Americas (FTAA).

The political-economy of north-south relations in the two hemispheres shares some broad characteristics based on the underdevelopment of southern economies, substantial income disparities (between north and south, and within southern societies) relatively low levels of south-south trade, significant energy ties, and the participation of southern labor in northern economies. But within this transatlantic tale of haves and have-nots there are also some marked differences.

First, there is a difference in scale. The total volume of trade between the U.S. and Mexico (plus the CAFTA countries) is much larger than that between the EU and its MEDA partners. In 2002, EU imports from the southern Mediterranean including Turkey

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totaled 65 billion euros; southern Mediterranean imports from the EU were some 80 billion euros. In the same period, U.S. exports to Mexico alone totaled \$97.5 billion, with Mexican exports to the U.S. at \$137 billion. Two-way trade between the U.S. and CAFTA in 2002 was roughly \$32 billion. Both regions have experienced a substantial increase in north-south trade over the past decade. Mexican exports to the U.S. have increased by some 177 percent since 1994 – the NAFTA effect. Southern Mediterranean exports to the EU rose by 113 percent over roughly the same period.

Second, trade balances differ significantly in the two settings. While the trade balance between the U.S. and Mexico favors the south (the same is true for CAFTA), the EU-southern Mediterranean trade balance is strongly in the EU's favor, despite large-scale energy exports from North Africa. This disparity may go some way toward explaining persistent North African and Middle Eastern complaints about trade balances, and the hub and spoke nature of Mediterranean trade – with Europe as the hub. It is important to note here that NAFTA and the prospective CAFTA arrangement have gone much further in eliminating trade barriers than has been the case in the Euro-Mediterranean context. Barcelona envisions the creation of a regional free trade area by 2010, but is based on a series of individual association agreements with Brussels, with very uneven progress to date.¹¹ So too, Barcelona aims at the promotion of south-south trade and investment, but progress here has been very limited (the southern members of CAFTA, by contrast, had already concluded free trade agreements among themselves).

The net result is a substantially different landscape of north-south and south-south trade in the Western Hemisphere and Mediterranean settings.¹² Amid these differences, the protection of northern agriculture has been a consistent and neuralgic theme on both sides of the Atlantic. Free trade agreements in the Mediterranean (including the EU-Turkey customs union) have generally excluded agriculture. Southern complaints about agricultural subsidies in the north are a common theme in both hemispheres.

Third, similar asymmetries exist in the area of investment. EU policy toward the south has, in general, been more heavily oriented toward investment and project-related assistance than toward trade liberalization. Foreign direct investment (FDI) in the south is a key issue in both settings. As with trade, there are important differences in scale. American FDI in Mexico and Central America is much greater than that of the EU in the southern Mediterranean – an investment position totaling some \$75 billion in 2000. By contrast, EU investment stocks in the MEDA economies totaled roughly 25 billion euros in 2000. In both areas, the bulk of FDI goes to only a handful of countries in the south. Mexico and Panama together account for about 95 percent of American FDI to the region. In the Mediterranean, Turkey, Israel and Cyprus take some 75 percent of European investment, a situation likely to be reinforced by the prospective opening of formal accession talks between Ankara and Brussels. EU investment in the Mediterranean region has increased more

rapidly than American investment to the south since 1994, but again, most of this growth has been in a few emerging economies, and especially in Turkey.¹³

The impediments to more extensive northern investment in the south are broadly similar on both sides of the Atlantic. There is a continuing perception of political and economic risk, pervasive corruption, and shortcomings in infrastructure, including the critical soft infrastructure for FDI – a favorable regulatory environment and predictable rule of law. These problems are common in both settings, but are even more pronounced in North Africa and the Middle East, where rates of foreign investment are among the lowest in the world.¹⁴ Mexico and Turkey also confront difficulties of this kind, but are both relatively dynamic economies, reasonably well-placed to attract and retain foreign investment.

That said, both Mexico and Turkey face challenges of political and economic reform, and their success in addressing these issues will be a key factor in their convergence and integration with northern neighbors in the years ahead. In the Mexican case, the optimism of the mid 1990s has been replaced by mounting concerns over competitiveness in a global setting, with much foreign investment now being redirected to Asia, and especially to China. Like Mexico, Turkey experienced a near financial collapse, followed by recovery, high growth, and more rapid integration with northern partners. Even with the EU's decision to open accession negotiations with Turkey, the road to membership in the EU is likely to be uncertain and open-ended. A closer relationship with Europe will certainly encourage greater foreign investment, because it will reinforce Turkey's own commitment to rapid economic and political reform. If Turkish-EU integration efforts had remained largely at the level of trade liberalization – the customs union – this effect probably would not be as pronounced.

Looking at the Western Hemisphere, one lesson from the Turkish experience (and the EU experience with “cohesion” and integration in southern Europe) may be that narrow, trade-focused arrangements may not be sufficient to encourage large-scale investment, with substantial development effects in the south. A more comprehensive approach may be needed. But this approach also requires a high degree of confidence and interest on the part of southern partners. In the Mediterranean experience, Turkey is one of the few real success stories (Morocco might be another).

Fourth, the development assistance component of north-south relations differs substantially in the North and Central American and Mediterranean contexts, reflecting different priorities, and above all, different development philosophies. At the most basic level, the transatlantic north has had a strong stake in promoting prosperity in the south to reduce migration pressures, and as a contribution to stability and security. This motive is imbedded in American debates over trade liberalization and investment promotion in the hemisphere, and has been an even more explicit part of the rationale and the structure of the Barcelona Process, with its political and security dimension.

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Official development assistance, in the form of project-related grants, is a large component of EU engagement in the southern Mediterranean. There is no real equivalent to this in U.S. relations with Mexico and Central America. The EU's MEDA program has consistently allocated roughly one billion euros per year to economic assistance across the Mediterranean. This is, of course, a fraction of EU assistance devoted to economic development in central and eastern Europe over the past decade, and a source of complaint from partners in North Africa and the Middle East, as well as from some southern European EU members with special stakes in the region such as Portugal, Spain and Italy. Moreover, much of the assistance allocated through the MEDA program remains unspent for lack of viable, transparent projects in the south. In relations with Mexico and Central America, as elsewhere, American assistance is dominated by the activities of non-governmental organizations and the private sector. Large-scale official assistance is not a dominant feature of north-south relations in the Western Hemisphere, although the interest in EU-style cohesion assistance is growing, and could feature in more comprehensive approaches to cooperation on migration and other matters. At the same time, European policymakers are beginning to question the efficacy of state-centric economic initiatives across the Mediterranean. Indeed, the desire to engage non-government actors is a key part of current EU discussions on how to reinvigorate the Barcelona Process.

On issues of trade, investment and assistance, there is a tendency to treat north-south relations in the two hemispheres as separate questions, and as separate areas of engagement for Europe and North America. In reality, there are many cross-cutting interests and interactions. The American interest in political, economic, and above all, security engagement across the broader Middle East, including the Mediterranean, is an obvious example. But there are also important examples of European engagement to America's south. Europe devotes roughly twice as much official economic aid to North Africa and the Middle East than to Latin America as a whole. But Spain itself provides over six times more aid to Latin America than to Mediterranean recipients in its own neighborhood, and European businesses are leading investors across Latin America.¹⁵ Similarly, American assistance to Egypt and Israel looms large in the Mediterranean setting. Excluding military assistance, U.S. assistance to North Africa and the Middle East, at some \$1.5 billion per year, is roughly comparable to aid provided by the EU through Barcelona (exclusive of bilateral aid) – and this is set to grow with commitments in Iraq and through the Bush Administration's Broader Middle East Initiative.

Fifth, north-south relations in both hemispheres are characterized by increasingly active energy trade. The bulk of America's energy imports come from western hemisphere sources, such as Canada, Mexico and Venezuela – a fact frequently overlooked in discussions about energy security, in which Middle Eastern resources feature prominently. For Europe, and especially for Southern Europe, North Africa and the Middle East are overwhelmingly important sources of supply. The expansion in

European imports of natural gas from North Africa, and increasingly from Central Asia via Turkey, has emerged as a structural dependency and a standing economic security concern. Energy interdependence is set to remain a central feature of north-south relations in both regional settings.

Finally, cross-border remittances are a shared feature of north-south political economy, closely bound up with both immigration and regional development issues. For countries such as Morocco and Tunisia, remittances from workers in Europe have long been a critical source of revenue, alongside tourism and agriculture. Remittances loom large even for energy producers such as Algeria and Libya. Turkey, with over 1.5 million nationals resident in Germany alone, many from less developed parts of the country, has a particularly strong stake in the remittance issue. Viewed in investment terms, it is notably a two-way street. In some periods, Turkish transfers to Germany, much in the form of small business investment, have exceeded the volume of German investment in Turkey. Mexican investment in the U.S., while dwarfed by remittances southward, is also a factor of some importance, at least on a regional basis. 2003 World Bank estimates place Mexico's remittance income from the U.S. at roughly \$10 billion per year.



MIGRATION AND IDENTITY – THE SOUTH IN THE NORTH

The centrality of north-south relations to international policy on both sides of the Atlantic owes a great deal to migration trends and related debates about identity and security. These concerns are not new, in either setting. But the post-September 11th climate and structural changes in northern societies have cast immigration issues in a new light.¹⁶ As in other areas, broad analogies regarding the movement of people across the Mediterranean and the Rio Grande do not tell the full story.

Migration, and perceptions of migration, are in flux on both sides of the Atlantic.

Over the last decade, in both hemispheres, there has been a substantial increase in the number of economic migrants from the south resident in the north. Ageing populations and structural changes in the European and North American economies have reinforced the “pull” as well as the “push” factors in the migration equation.¹⁷ Migrants from the south have long been integral to the northern economies. In past decades, European countries, especially Germany, actively recruited “guest workers” from Turkey and elsewhere. The U.S. and Canada have also encouraged migration of this kind, through formal programs (e.g., in the U.S. during the 1940s) and informal approaches to labor recruitment. Allowing for differences of scale, there are some broad parallels in terms of the percentage of persons of Mexican origin in the U.S. (roughly nine percent according to the 2000 census) and, for example, persons of North African origin in France (ten percent is the consensus of current estimates).¹⁸ Almost certainly, the true numbers are higher than the reported estimates in both cases, and regional concentration – in southern California, or in Marseille – while declining as migrants disperse across northern states, remains a factor in popular perception.

Migration, and perceptions of migration, are in flux on both sides of the Atlantic. First, more restrictive immigration policies and tighter border controls have led to a decrease in “circularity” in south-north migration. Traditionally, migrants from Mexico, as well as migrants from across the Mediterranean, have moved with relative ease across land and sea borders. Migrants could count on the ability to come and go, to work for a period in the north, and to return periodically to their home societies, with implications for transnational economic, social and political interactions. In recent years, tighter border controls on both sides of the Atlantic have made this pattern of circulation less common, and more risky. It has encouraged migrants and their families to remain in the north, pushing up the total numbers of illegal or undocumented residents. It has also led to a marked increase in the physical risks of migration, and the spread of criminal trafficking in migrants. Deaths in desert areas along the Mexican-U.S. border, and at sea in the Mediterranean, have become more common, and have made

migration a more prominent humanitarian issue in the U.S. and in Europe. In coastal areas of Spain and Italy, immigrant strandings and drownings are now a regular occurrence.

Second, migration from the south has become a more diverse phenomenon. Migrants in both settings, and especially in the Mediterranean, now come from further afield – Sub-Saharan Africa and Asia on the one hand, Central America on the other – with Mexico and North Africa serving as conduits for migration to northern societies.¹⁹ Southern migrants are also settling more widely. In the past, countries such as Spain and Greece were waypoints for migrants headed to richer parts of northern Europe. Today, migrants crossing the Mediterranean are just as likely to regard an increasingly prosperous southern Europe as a destination.²⁰ In North America, Mexican and Central American migration is no longer a phenomenon limited to the southwest or Florida. Migration has lost much of its regional flavor, and is now a public policy issue at the national level on both sides of the Atlantic.

Third, and beyond the internal security concerns discussed below, the migration issue has acquired a sharper cultural edge. This trend is most pronounced in Europe, where relations between Islam and the West are integral to the migration challenge, as well as to the broader management of north-south relations in the Mediterranean. These relations have become much more contentious in recent years, and have become a leading force on the political scene in Europe, with the rise of anti-immigrant movements across the continent. These have acquired political force, not only in France and Germany, but also in traditionally tolerant societies such as the Netherlands and Denmark. Migration from the Muslim south has spurred a vigorous, searching debate about questions of identity, integration and secularism. The effects are visible across a broad range of national and EU-level policies, from legislation on student headscarves in France, to the question of Turkey's place in the EU.²¹ Immigration, and the existence of large and often poorly integrated Muslim communities, are at the top of Europe's domestic and international policy agendas, and leading drivers of north-south relations on the European periphery.

To be sure, there is an important – and possibly growing – cultural dimension to the American debate about migration, especially from Mexico. But on balance, the American immigration debate continues to be driven more strongly by traditional concerns over jobs, education and welfare costs at the state and local level.²² With some notable exceptions, “civilizational” concerns are more muted in the American discourse about migration and north-south relations.²³ In contrast to Europe, the ability of American society to assimilate and integrate migrants from the south is still widely accepted. It is a mark of the centrality of cultural issues to north-south relations in a Mediterranean setting (or at least a mark of concern among secular and moderate religious elites) that the cultural “basket” has been a particularly successful and relatively harmonious part of the Barcelona Process. By contrast, the economic dimension has been troubled, and the political-security dimension a virtual non-starter.

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Fourth, the U.S. and Europe face the challenge of managing migration as a component of wider north-south policies. Different approaches have fallen short on both sides of the Atlantic. The Barcelona Process has aimed at a broad-gauge dialogue with southern partners, including the question of migration. Not surprisingly, there has been little consensus about whether to treat migration as an economic, developmental, cultural or security issue – it is, of course, all of these things, and all have proven difficult to address in multilateral terms. This is not just a problem of north-south dialogue. The EU itself continues to treat migration policy as a national question, although there is a growing tendency to harmonize national approaches, especially on border security. In general, the Schengen agreement has had the effect of shifting the responsibility for European border control to members on the southern periphery of the EU. This is not unlike the situation in the U.S., where states such as California, Texas and Florida bear the overwhelming burden of national border management. Despite the existence of several multilateral fora where migration questions are discussed at the expert level, north-south cooperation on migration in the Mediterranean remains largely a bilateral undertaking.

In the Western Hemisphere, migration is *the* issue in Mexico-U.S. relations, and it continues to defy bilateral coordination. Mexico has pressed repeatedly in recent years for a broad, strategic dialogue with the U.S., including but not limited to migration matters (there is notably less enthusiasm for negotiation on migration issues in southern Mediterranean states).²⁴ The U.S., distracted by other foreign policy concerns, and reluctant to engage in a fundamental reassessment of immigration policy, has taken an arms length approach to relations across the border. The Bush Administration has re-stated its interest in immigration policy reform, and has floated initiatives aimed at regularizing the status of migrants as a matter of domestic public policy. But no legislation along these lines has gone forward, and a bilateral, much less a multilateral approach to migration remains elusive.²⁵

On both sides of the Atlantic, there is now a growing gap between the perception of transnational challenges – economic, cultural, and security – flowing from migration, and the effectiveness of bilateral and multilateral cooperation on the issue with neighbors to the south. Migration, and the question of immigrant communities, is being addressed in tentative fashion as a matter of domestic rather than foreign policy – leaving a key facet of north-south relations in abeyance, and the potential for addressing a range of transnational problems unrealized.²⁶



THE SECURITY DIMENSION

For all of the prevailing focus on homeland security and border control in the U.S., on the whole, north-south relations are more thoroughly shaped by security considerations in the Euro-Mediterranean environment. The relative prominence of security issues in the Mediterranean reflects the severity of internal and external challenges across North Africa and the Middle East and the spillovers – actual and potential – of hard and soft security risks northward. North-south security challenges facing North America are of a very different and more diffuse kind, and less conventional in nature. More accurately, the security challenges emanating from the south in the western Hemisphere, including drugs, people trafficking, organized crime and trans-national health and environmental risks, are also prominent in the Mediterranean. But in the Mediterranean, these problems are accompanied by a range of more traditional challenges, from terrorism to proliferation. There are a small number of flashpoints for direct military confrontation along north-south lines (e.g., between Spain and Morocco over the enclaves of Ceuta and Melilla), but the leading issues of this kind are arrayed on south-south lines, with Europe indirectly exposed.²⁷

In the U.S., the September 11th experience has led to a broad recasting of border and immigration issues in more direct, homeland security terms. There has also been an effort to reconcile greater control with the need for free movement of goods and people across economically important borders, an imperative that looms larger in the American than the European policy debate.²⁸ Migration from Mexico and Central America is not, of course, central to terrorism concerns, which center on the Middle East and South Asia. But homeland security has become a driver in border management with Mexico and Canada.²⁹ Similarly, in Europe, immigration perceptions and policies are increasingly shaped by internal security fears, with a much more direct risk of terrorism and political violence emanating from across the Mediterranean. The crisis in Algeria in the 1990s encouraged the growth of transnational extremist networks in Europe, and these have become a focus of European concern in the wake of September 11th and the Madrid bombings of March 11, 2004. The result has been a subtle convergence of outlooks on both sides of the Mediterranean, with policymakers in the north and the south focusing first and foremost on internal security concerns.

Since the days of the Cuban missile crisis, the U.S. has faced few, if any, hard security challenges along north-south lines in its own hemisphere. By contrast, Europe's exposure to conventional and unconventional risks emanating from the south has increased in important ways since the end of the Cold War. To the extent that Europe is still exposed to such risks, these arise from proliferation trends around the Middle East, and the continent's growing exposure to the retaliatory consequences of western actions in the

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south. The possible emergence of one or more new nuclear powers in the Middle East, and the deployment by Iran and others of missiles with trans-Mediterranean range, is a growing concern for Europe, and an increasingly contentious topic for north-south dialogue in the Mediterranean.

The pronounced shift of European security concerns and strategies southward over the past decade has no precise parallel across the Atlantic, although the U.S. is itself a leading actor in the realignment of European defense policies, both through NATO and on a bilateral basis. There is a rough transatlantic analogy, however, if only because southern neighbors are the leading conduits for drug trafficking into Europe and North America, and the drug economy is an important element in the political economy of Mexico and Central America on the one hand, and Turkey and Morocco, on the other. If not for September 11th and the wars in Afghanistan and Iraq, it is possible that the U.S. would be devoting much more attention to transnational and soft security challenges in its own hemisphere. American engagement in drug interdiction in Central America and the Caribbean is nonetheless extensive. The controversial American counter-drug and counter-insurgency assistance in Colombia (Plan Colombia), goes well beyond European efforts on similar issues in a North African context, where sovereignty concerns inhibit any such involvement “on the ground.”

In the current strategic environment, counter-terrorism concerns are driving much of the policy debate about north-south cooperation in both hemispheres, focusing attention on border management and maritime security – to the exclusion of other pressing issues, and more comprehensive strategies.³⁰ Interlocutors in Mexico and the Southern Mediterranean, focused on the need to reduce economic and social disparities between north and south, and sensitive to sovereignty issues, fear the distorting effects of a border-centric agenda in relations with their northern neighbors. To the extent that border control and interdiction remain central issues for the north, leaderships in the south may come to view security as the only viable lever for engaging European and American policymakers in a broader strategic dialogue.

Wider north-south political and security dialogue has not made great headway in either setting, although there is more architecture for cooperation along these lines in the Mediterranean context – and sharper issues for discussion. Mexican-U.S. disagreements on foreign policy in the hemisphere (e.g., on Cuba and Venezuela) are longstanding, and extend to wider international questions, most notably Iraq. Foreign and security policy cooperation are far from the center of a bilateral relationship focused overwhelmingly on trade and migration. With the eccentric exception of Cuba, relations with Central America and the Caribbean are even more marginal to an American strategic debate focused mainly on the broader Middle East and Asia.

In the Mediterranean, there are multiple forums for political and security dialogue, both regional (the Barcelona Process itself, OSCE, NATO) and sub-regional. NATO has recently expanded and up-graded its Mediterranean Dialogue, with a focus on increased practical cooperation on defense and soft-security matters. The EU is engaged in a similar effort as part of its European Security and Defense Policy activity. But progress in these areas has been uneven at best, hindered by a preference for bilateral cooperation in sensitive security-related areas, and the continued Arab-Israeli conflict, which casts a shadow over all north-south security dialogues in the region. Overall, north-south relations in the Mediterranean have more – and more contentious – security content than those in the western hemisphere. But the security dimension is increasingly prominent in both settings, affecting a wide range of transnational interactions.



COMMON POLICY CHALLENGES, NEW OPPORTUNITIES

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North-south relations occupy a prominent place on international policy agendas on both sides the Atlantic. This is especially true in the context of non-traditional, and transnational interactions, beyond the realm of formal diplomacy and security policies. The fact that some of the most troubled areas in the world are arrayed on Europe's southern periphery gives relations with North Africa and the Middle East a structural, even dominant place in European and American policy. Across the Atlantic, the structural concerns are of a different sort, but no less important. For societies on both sides of the Atlantic, north-south relations are increasingly shaped by cross-border interactions, above all migration, affecting domestic as well as external policy. At the most fundamental level, the key issues for the future will have less to do with north-south relations *per se*, and more to do with the human, economic and cultural presence of the south *in* the north, whether Mexican migrants in the U.S. or North African migrants in France. This analysis suggests some significant points of convergence and divergence in north-south relations on both sides of the Atlantic. On the whole, it is a tale of common problems, asymmetrical responses, and new opportunities.

First, the challenge of migration from the south – from the southern Mediterranean into Europe, and from Mexico and Central America into the U.S. – is similar in scale (if not in absolute numbers) on both sides of the Atlantic. The drivers of migration, both “push” and “pull,” are broadly similar, and the phenomenon has given rise to very public debates and responses. Broadly, the American debate continues to focus, first and foremost, on economics, and only secondarily on questions of identity and security. By contrast, Europe's increasingly heated debate about immigration is, above all, about religion, culture and the threat of extremist violence. Despite September 11th, security, including security of identity, is arguably a more prominent feature of north-south relations across the Mediterranean than across the Rio Grande. America's own debate about the “Hispanic challenge” remains more of an intellectual than a public obsession. The centrality of relations between Islam and the West to European history and geopolitical tradition goes a long way to explain these transatlantic differences.

Second, patterns of migration and integration are being shaped by the growing concern over borders on both sides of the Atlantic. In both settings, tighter border surveillance and more restrictive immigration policies are having a marginal effect on the flow of immigrants from the south. But these policies are constraining the traditional circulation of migrants. Increasingly, migrants are remaining in the north, and settling in more diverse parts of

Europe and North America. As a result, issues of integration are becoming as important, perhaps more important, than issues of migration *per se*. On both sides of the Atlantic, government policies remain heavily focused on visas and borders, rather than the increasingly pressing question of integration. Everywhere, the humanitarian and security aspects of migration are becoming more urgent, and frequently these concerns are in tension.

Third, North American and European approaches to north-south dialogue and cooperation have taken very different forms over the past decade. In the western hemisphere, regional initiatives such as NAFTA and CAFTA have focused almost entirely on trade liberalization as a vehicle for integration and economic development, with a related interest in economic and political reform. The EU has taken a broader, though not necessarily more successful, approach to relations with the southern Mediterranean. The Barcelona process aims at regional free trade by 2010, but relies on bilateral agreements to accomplish this objective. It gives equal weight to political-security and cultural dialogue, and takes an increasingly conditional approach to economic assistance. Euro-Mediterranean relations are broader than their counterparts across the Atlantic – closer to “the whole enchilada” approach championed by Mexican officials, but consequently more complex and politicized. Measured in terms of mutual stakes and expectations, neither approach is working well. The only obvious success story in either hemisphere may be Europe’s engagement with Turkey, which may or may not lead to EU membership over the next decade or two, but which has very effectively encouraged Turkish convergence with Europe across the board.

Fourth, Europe and the U.S. have obvious stakes in north-south relations outside their respective regions. What Europe does on its southern periphery, and the position of Muslim migrants in Europe, affects American interests, including security interests, in important ways. Similarly, Europe has historic ties and practical stakes in the future of Mexico and Central America. At a broader level, political, financial, environmental and energy-related developments in the transatlantic “near abroad” can have global consequences, and will demand global management. Looking ahead, a more concerted approach to problems emanating from the south will likely be an important part of any revitalized transatlantic relationship, and should be given a more prominent place in formal consultations between Washington and Brussels.

Fifth, there are specific areas where lessons can be learned and new approaches implemented on a transatlantic basis. Europe has substantial experience with the use of “cohesion” funds to foster development and integration, both within Europe and vis-à-vis Europe and the Mediterranean south. To the extent that U.S.-Mexico relations acquire a more comprehensive and intensive character, this experience will be highly relevant. Demographic trends on both sides of the Atlantic will compel policymakers to confront similar issues regarding the import of labor, the integration of transnational communities, and related health,

education and social needs. The interest in “smart borders,” is clearly shared, and at least in the case of the Mediterranean, European and American assets are available to pursue new maritime security initiatives.

Finally, north-south challenges in both hemispheres are felt first and foremost in the border regions of Europe and the U.S., in the countries of Southern Europe, and in the American West and South. Cities in these areas are particularly affected, and have a special role in policy responses. Over the next decade, the rise of north-south concerns should encourage new lines of collaboration between experts and policymakers – a transatlantic dialogue in which Lisbon and Los Angeles, Athens and Miami may have as much weight as Washington and Brussels.



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² My Pacific Council colleague, Abraham Lowenthal, uses the term “intermestic” to describe these issues at the nexus of international and domestic policy, often but not always associated with cross-border concerns.

³ Ultimately, the comparison and search for shared lessons could include north-south relations in Asia. For a discussion of trilateral approaches to relations on the periphery, see Alejandro Lorca, *Tres Poderes, Tres Mares, Dos Rios* (Madrid: Ediciones Encuentro, 1996).

⁴ See Samuel Huntington’s highly controversial article, “The Hispanic Challenge,” *Foreign Policy*, March/April 2004; and his book *Who Are We: The Challenges to America’s National Identity* (New York: Simon & Schuster, 2004).

⁵ CAFTA encompasses agreements with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. A similar but separate agreement has been negotiated with the Dominican Republic.

⁶ See Loretta Bondi, *Beyond the Border and Across the Atlantic: Mexico’s Foreign and Security Policy post-September 11th* (Washington: SAIS Center for Transatlantic Relations, 2004).

⁷ See Graham E. Fuller and Ian O. Lesser, *A Sense of Siege: The Geopolitics of Islam and the West* (Boulder: Westview, 1996).

⁸ The reference is to the Treaty of Sevres, negotiated at the end of World War I, but never implemented. It would have greatly reduced the extent of Anatolian Turkey, and led to the creation of an independent Kurdistan.

⁹ See John Audley et al., *NAFTA’s Promise and Reality: Lessons from Mexico for the Hemisphere* (Washington: Carnegie Endowment for International Peace, 2004).

¹⁰ *Beyond Borders: The New Regionalism in Latin America* (Washington: Inter-American Development Bank, 2002), p. 3.

¹¹ See Euro-Med Partnership, *Regional Strategy Paper 2002-2006* and *Regional Indicative Program 2002-2004*.

¹² Association agreements have been concluded with Israel, Tunisia, Jordan, Morocco, and on an interim basis with Lebanon and the Palestinian Authority. Agreements with Egypt, Syria and Algeria are pending. Cyprus, Turkey and Malta had longstanding agreements with the EU, and these have now been overtaken by Cypriot and Maltese membership in the EU, and the Turkey-EU customs union.

¹³ See Stephane Quefelc, “European Foreign Direct Investment in the Mediterranean Region in 2002.”

¹⁴ Rates of private investment in North Africa and the Middle East, as a share of total investment, are well below those elsewhere, including Latin America (some 40-45 percent versus 75-80 percent). Mehmet Ogutcu, “Investment Outlook in the MENA Region,” paper presented to OECD meeting on “Mobilizing Investment for Development in the MENA Region”, Istanbul, 11-12 February 2004, p. 1.

¹⁵ Overall, the EU is Latin America’s second trading partner, after the U.S., and the largest source of FDI to the region. Mexico has developed strong bilateral ties with Europe, and has had a political and economic association agreement with the EU since 1997.

¹⁶ For a tour d’horizon of new migration patterns in the Mediterranean, see Maria Lucinda Fonseca and Russell King, eds., “Migration in the Mediterranean Basin,” *Bridges and Margins*, *Finisterra* (Revista Portuguesa de Geografia), Vol. Xxxix, Number 77, 2004.

¹⁷ See Jonathan Grant et al., *Low Fertility and Population Ageing: Causes, Consequences and Policy Options* (Santa Monica: RAND, 2004).

¹⁸ Robert A. Levine, “Assimilating Immigrants: Why America Can and France Cannot,” *RAND Europe Occasional Paper* (OP-132-RC, July 2004), pp. 10-14.

¹⁹ One consequence of this changing pattern of migration has been the rise of European interest in arrangements for screening and controlling southern migrants before they cross the Mediterranean. Italy and Britain have been at the forefront of controversial discussions with Tripoli about the construction of reception centers in Libya. See Judy Dempsey, "EU to Study Transit Sites in Libya for Immigrants", *International Herald Tribune*, September 24, 2004.

²⁰ This is true for migrants from Eastern Europe, as well as those from North and Sub-Saharan Africa. See Maria Ioannis Baganha and Maria Lucinda Fonseca, eds., *New Waves: Migration from Eastern to Southern Europe* (Lisbon: Luso-American Foundation, 2004).

²¹ See William Pfaff, "Why France Still Insists on Cultural Assimilation," *International Herald Tribune*, January 17, 2004.

²² See Georges Vernez, *The New Melting Pot: Changing Faces of International Migration and Policy Implications for Southern California* (Los Angeles: Pacific Council on International Policy, 2003).

²³ Samuel Huntington has emerged as a leading intellectual exponent of the cultural challenge thesis. See "The Hispanic Challenge," *Foreign Policy*, March/April 2004.

²⁴ See Loretta Bondi, *Beyond the Border and Across the Atlantic: Mexico's Foreign and Security Policy Post-September 11th* (Washington: SAIS Center for Transatlantic Relations, 2004); and Robert Leiken, *Enchilada Light: A Post 9/11 Mexican Migration Agreement* (Washington: Center for Immigration Studies, 2002)

²⁵ For an overall analysis of the state of Mexico-U.S. relations and options for enhanced cooperation, see U.S.-Mexico Bilateral Council, *New Horizons in U.S.-Mexico Relations: Recommendations for Policymakers* (Washington: CSIS, 2001).

²⁶ See Denise Dresser and Veronica Wilson, *North American Futures: Transnational Challenges and Opportunities* (Los Angeles: Pacific Council on International Policy, forthcoming).

²⁷ See Roberto Aliboni et al, *North-South Relations Across the Mediterranean After September 11th: Challenges and Cooperative Approaches* (Rome: Istituto Affari Internazionali, 2003); Alvaro Vasconcelos et al., *A European Strategic Concept for the Mediterranean*, Lumiar Papers #9 (Lisbon: IEEI, 2002); and Ian O. Lesser, "The United States and Euro-Mediterranean Relations," *EuroMeSCo Briefs*, July 2004.

²⁸ See Deborah Waller Meyers, "Does 'Smarter' Lead to Safer? An Assessment of the Border Accords with Canada and Mexico", *Migration Policy Institute Insight*, June 2003, No. 2.

²⁹ This extends to the American stake in Mexico's handling of migration and security problems on its own southern border with Guatemala. See George W. Grayson, "Mexico's Southern Flank: A Crime-Ridden 'Third U.S. Border'," *Foreign Policy Research Institute E-Notes*, March 22, 2005.

³⁰ See U.S.- Mexico Border Security and the Evolving Security Relationship: *A Report of the U.S.- Mexico Bilateral Council* (Washington: CSIS, 2004).



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