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## **Border Governors Address Water Rights, NADBANK, Mexican Election**

*by Carlos Navarro*

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Austin, Texas —Mexican and US governors made a strong effort to present a picture of harmony at the 24th annual Border Governors Conference in Austin, Texas, on Aug. 24-25, particularly when discussing immigration and security (see other article in this issue of SourceMex) and bilateral agreements. Every governor mentioned cooperation in his or her closing remarks, whether it was a bilateral agreement between Arizona and Sonora to expedite the flow of cargo through border crossings or one between New Mexico and Coahuila to coordinate education programs.

However, governors and invited speakers briefly alluded to several disagreements during opening and closing remarks, including a dispute between the US and Mexico on water rights from the Colorado River and a controversial proposal by President Vicente Fox's administration to eliminate funding for the North American Development Bank (NADBANK).

A statement by Texas Gov. Rick Perry referring to presidential candidate Felipe Calderon of the center-right Partido Accion Nacional (PAN) as president-elect also caused a stir at the conference because Mexican electoral authorities had not declared a winner at that point.

### ***Concern raised about plan to pave All-American Canal***

Water rights remain a problem for Mexico and the US although the two countries were able to resolve one of their biggest headaches last year. For the past decade, Mexico and the US had been at odds because of Mexico's failure to comply with its commitment under a 1944 water treaty to release 350,000 acre-feet of water from reservoirs on the Rio Grande to Texas annually in exchange for 1.5 million acre-feet of water from the Colorado River.

Years of extreme drought in northern Mexico kept Mexico from meeting its commitment, resulting in a large accumulation of water "debt" (see SourceMex, 1996-03-07, 1999-05-26, 2003-04-22). The dispute reached such bitter proportions that a group of ranchers and municipalities, with support from Gov. Perry, threatened to file a US\$500 million claim under the North American Free Trade Agreement (NAFTA) to force the Mexican government to comply with the treaty (see SourceMex, 2004-09-01).

After months of negotiations, the two countries reached an agreement in 2005 involving a short-term release of water to make up for the deficit of recent years and a long-term strategy to prevent future disputes (see SourceMex, 2005-04-07). While the dispute regarding water rights on the Rio Grande appears to have been resolved, the two countries are now engaged in a strong disagreement about water rights on the Colorado River.

The controversy centers on a decision by the US government to reinforce with concrete a portion of the 80-mi (130-km) All-American Canal, which carries water from the Colorado River. Paving

the canal, which supplies water to farmers in California's Imperial Valley, reduces seepage. Mexico opposes the move, since 90% of the seepage ends up in Baja California, benefiting small-scale farmers and wetlands (see SourceMex, 2006-03-22). Juan Bosco Marti Ascencio, director of North American affairs at the Secretaria de Relaciones Exteriores (SRE), told the border governors that the issue is important to President Vicente Fox's administration. He suggested that federal and state officials from both countries sit down and forge a solution similar to the one developed for the Rio Grande. "With this spirit of cooperation, we must continue addressing the challenges that we face in the Colorado River Basin, such as lining the All-American Canal," Marti Ascencio told the border governors.

### *Coahuila governor brings up NADBANK controversy*

Another controversy that surfaced during the governors' closing statements was the Fox administration's lukewarm support for NADBANK, an agency created under NAFTA to help fund infrastructure projects along the US-Mexico border, which has had moderate success.

Without mentioning any specific official, Coahuila Gov. Humberto Moreira Valdes harshly criticized the Fox administration for a "lack of common sense" because of a proposal earlier this year to eliminate funding for NADBANK. The proposal was not widely reported, but mentioned in a business-related column in the Mexico City daily newspaper Reforma, which quoted Finance Secretary Francisco Gil Diaz as saying that Mexico was thinking of "liquidating its participation in NADBANK."

Of the five Mexican border governors who belong to the long-governing Partido Revolucionario Institucional (PRI), Moreira has had the rockiest relationship with the Fox government. The Coahuila and federal governments continue to hold each other responsible for the fatal accident at the Pasta de Conchos coal mine in March of this year (see SourceMex, 200603-01).

The proposal to close down NADBANK was tied to the perception that the institution has been ineffective, partly because of a lack of cooperation between the US and Mexican governments in setting its policies. "The problem is that [the bank] was created with normative restrictions," Reforma columnist Alberto Aguilar said in January. Yet, even with the criticism the bank has had a record of moderate successes (see SourceMex, 2003-01-22).

The San Antonio Express-News said the Mexican government's proposal would not eliminate border infrastructure funding altogether, but instead transfer the capital to the federal public-works lending agency Banco Nacional de Obras y Servicios Publicos (BANOBRAS). At the time that the possible cutback in Mexican funding was first reported, the US government was reassessing its role in NADBANK, based in San Antonio, Texas. "I can say we are in discussions to assess the role of the bank and its appropriate future," US Treasury spokesperson Brookly McGoughlin told the Express-News in February.

Moreira's criticism of the Fox government for proposing to cut funding for NADBANK was accompanied by praise for fellow Gov. Jose Natividad Gonzalez Paras of Nuevo Leon for committing state funds to keep the agency alive. The Monterrey-based newspaper El Norte reported that the

Nuevo Leon governor, a long-time supporter of NADBANK, traveled to Washington in April 2005 to plead with US senators to maintain US funding for the agency.

Despite Gil Diaz's earlier proposal to cut funding for NADBANK, the institution will survive under a new structure. According to the Rio Grande Guardian, a publication that covers the US-Mexico border area, the US and Mexican governments have decided not only to keep NADBANK but to expand and clarify its mission. "The reforms included simplifying the bank's credit process, expanding the geographical base of its operations," said the newsletter. The changes will also include a change in the NADBANK board to include directors from sister NAFTA organization, the Border Environment Cooperation Commission (BECC).

SRE official Marti Ascencio confirmed the Fox administration's commitment to the institution, saying in his opening-day speech that the government was "looking at NADBANK to play a more active role in the development of infrastructure."

Baja California Gov. Eugenio Elorduy Walter, the only governor who is a member of Fox's center-right Partido Accion Nacional (PAN), also endorsed the bank. "With the support of everyone present, we are going ensure that the bank has more resources to loan," said Elorduy. The support for NADBANK is in stark contrast to last year, when governors sharply criticized the institution. "A year ago, at the 23rd Border Governors Conference in Torreon, Coahuila, various governors took turns to rebuke the NADB, calling for fresh blood in the boardroom and a more streamlined method for carrying out the bank's core mission financing environmental infrastructure projects along the border," said the Rio Grande Guardian.

### *Texas governor makes controversial comment on Mexico election*

Throughout the conference, the Mexican governors attempted to stick to their agenda and avoided mentioning the controversial July 2 presidential election. PAN candidate Felipe Calderon Hinojosa defeated rival Andres Manuel Lopez Obrador of the center-left Partido de la Revolucion Democratica (PRD) by about 250,000 votes or 0.6%, according to the final tally by the federal electoral agency (Instituto Federal Electoral, IFE) in July (see SourceMex, 2006-07-12). Lopez Obrador, claiming fraud, filed a complaint before the electoral court (Tribunal Electoral del Poder Judicial de la Federacion, TEPJF).

The court agreed to a recount of only about 10% of the precincts, prompting Lopez Obrador to set up massive protests in Mexico City (see SourceMex, 2006-08-09). The TEPJF, also known as the TRIFE, had not yet completed its review of Lopez Obrador's complaints at the start of the Border Governors Conference, but that didn't stop Gov. Perry from mentioning in his opening statement that he had spoken that morning with "President-elect Calderon."

The statement created some confusion among Mexican delegates, many of whom wondered whether the TRIFE had completed its deliberations. El Norte said "some officials from Sonora looked at each other in surprise," following Perry's comment. When asked about the statement at a press conference, Perry said the confusion was over semantics. "When we have an election in the United States and the individual who gets the most votes, we refer to them as the president-elect,"

Perry told reporters. Perry would not disclose the content of his conversation with Calderon, saying, "It was very much personal in nature."

The Mexico City daily newspaper El Universal, however, wrote about what the conversation might have included. "Felipe Calderon's team reported that the PAN candidate received a message of congratulations from the governor of Texas, Rick Perry," said the newspaper.

One reporter questioned whether Perry's statement reflected the sentiment of the border governors, which prompted a quick denial from Elorduy. "It is important to mention that Gov. Perry's statement was not a recognition by this conference of Felipe Calderon," said the Baja California governor.

Tamaulipas Gov. Eugenio Hernandez Flores also made a comment that might be construed as a commentary on US elections, expressing confidence that Perry, Richardson, Janet Napolitano of Arizona, and Arnold Schwarzenegger of California would be back for the next conference in Puerto Penasco, Sonora state. All four US governors, two Democrats and two Republicans, are up for re-election in November. "I am sure that they are all going to win," said Hernandez. (The following sources provided background for this article: San Antonio Express-News, 02/08/06; Associated Press, 04/24/06; Reforma, 01/31/06, 02/22/06, 03/03/06, 04/25/06; La Jornada, El Norte, 04/25/06; The Dallas Morning News, 04/26/06; Rio Grande Guardian, 08/28/06)

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