



## The U.S.-Mexico Border Economy in Transition

# Texas-Chihuahua-New Mexico: Three States, Two Nations, One Economy

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### Findings from the Texas-Chihuahua-New Mexico Regional Economic Competitiveness Forum

Federal, state, and local stakeholders from the Paso del Norte region of the U.S.-Mexico border came together in El Paso on September 12<sup>th</sup> to identify new ways to strengthen the competitiveness of the binational economy. The forum was hosted by the Border Legislative Conference, the Office of Congressman Beto O'Rourke, the Woodrow Wilson International Center for Scholars Mexico Institute, and the North American Research Partnership, with the support of the U.S. Agency for International Development – Mexico. The Texas-Chihuahua-New Mexico event was the fourth and final forum, building on earlier successes in San Diego, Nogales, and Laredo earlier this year. This document highlights some of the key concepts and recommendations identified by stakeholders in El Paso.

### Overview

Approximately midway between San Diego/Tijuana to the west and Brownsville/Matamoros to the southeast, the Paso del Norte region is the geographical center of the U.S.-Mexico border. With mountain ranges rising to both the north and south, Paso del Norte was established as a trading hub, a status it has maintained for centuries. Traditional industries include mining, agriculture and ranching, and each of these remains important today. The building of key rail lines and highways through the area assured its continued importance in trade, but also set the stage for the region to become the birthplace of binational manufacturing and

production sharing with the launching of the Border Industrialization Program, better known as the Maquiladora Program. Ciudad Juárez boomed with the arrival of factories, first doing simple tasks like sewing jeans and sorting coupons, but now thriving in much more advanced industries like aerospace, electronics and autos. El Paso and southern New Mexico also benefit from this growth, sometimes as suppliers but more often as service providers offering legal, financial and logistical support to industry. Defense, healthcare, education and tourism have all grown to become key sectors in the regional economy, particularly with the recent expansion of Fort Bliss and major investments into the biomedical science and healthcare industries.

### Defining and Developing the Binational Economy

Congressman Beto O'Rourke began the forum with a challenge to all those who live and work in the border region and suffer from the popular misperceptions of a region plagued by violence and lawlessness, noting, "when we fail to define the border, we allow [others] to define the border for us." In the subsequent discussion with Members of Congress Bill Owens, Henry Cuellar, Joaquin Castro, and Beto O'Rourke, Mr. Owens expanded the perception issue to the realm of commerce, describing "a fundamental lack of understanding of where trade happens and where it matters." With nearly 80% of U.S.-Mexico trade crossing the land border, efficient border operations are of vital importance to the six million Americans and several million Mexicans whose jobs depend on that trade. In fact, 24 states across the United States count on

Mexico as their first or second most important export market. With those facts in mind, Congressmen O'Rourke put forth an alternative definition: "the border is a place of opportunity, not a place of threats."

It was suggested throughout the day that business, government officials and people throughout the Paso del Norte region ought to, in collaboration with other border communities and federal officials, expand efforts to reframe the border in the minds of the public as well as policymakers in Washington, D.C. and Mexico City. In his keynote address, Undersecretary of Commerce for International Trade Stefan Selig described an ongoing joint effort of the Congressional Border Caucus and the Department of Commerce to do just that. As part of what they are calling their Heartland Outreach Tour, a message about the value of regional trade has been presented this year in North Carolina, Georgia, Iowa and Nebraska.

El Paso Mayor Oscar Leeser described a similar effort that he and Ciudad Juárez Mayor Enrique Serrano undertook, traveling to Detroit to jointly seek new automotive industry investments to support the region. Both mayors described the power of approaching economic development and investment promotion in a united, binational manner, noting that companies gained confidence from seeing the two cities forming a united front, that instead of competing against one another for investment they were working together. This model of regional economic development is based on the notion that El Paso, Juárez, and southern New Mexico should be understood and developed as a single community and a single economy embraced and promoted by the private sector through organizations such as the Borderplex Alliance.

### **Building a Seamless and Inclusive Paso del Norte Region**

Perhaps the most important component of each Regional Economic Competitiveness Forum is the space that is created to collect ideas and proposals from the stakeholders and community members that attend. The approximately 600 attendees of the El Paso forum contributed an extraordinarily rich set of recommendations, which underlined the pride and

sense of unity that residents, businesses and government officials have in the greater Paso del Norte region.

### **Develop an Inclusive Mega-region**

Stakeholders advocated for a broad geographic definition of El Paso del Norte and a correspondingly holistic vision to develop both the large urban centers of Ciudad Juárez and El Paso as well as the many medium- and small-sized communities in New Mexico, Texas and Chihuahua that stretch out from the metro areas. Many called for plans to decrease inequality, both across the border and within communities. For some, the bridging of the development gap was understood to be a prerequisite for the creation of (or perhaps a return to) a more fluid, seamless binational region. This was based on a recognition that migration and rule of law challenges have important roots in economic inequality.

**Crossborder Infrastructure:** Department of Commerce Under Secretary Selig, after touring a local port of entry, stated, "We will never optimize economic opportunity without adequate infrastructure." Residents echoed his remarks and encouraged leaders to both dream big and to better use what already exists. There was strong support for cross-border mass transit, whether the creation of a bus line with special border crossing protocols to speed-up crossing times or the more ambitious reconstruction of a cross-border trolley that once connected downtown El Paso and Ciudad Juárez. Both of these plans would serve a dual purpose, improving the border crossing experience and revitalizing the downtown area on each side of the border. Stakeholders also called for better utilization of the infrastructure that is already in place through enhanced communication between U.S. and Mexican authorities on the one hand, and bridge users from the private sector and broader community on the other. Past failures should not discourage future attempts to build consensus and try innovative solutions, such as adjusting bridge hours and staffing levels, or improving the measurement, dissemination and predictability of border wait times in order to avoid spikes in border crossing times.

**Staffing the Ports of Entry:** El Paso has recently renewed its current pilot program to reimburse U.S. Customs and Border Protection for extra hours of staffing to improve throughput at times that tend to have significant congestion. Mayor Leeser noted that during the pilot, traffic volumes increased without a corresponding increase of wait times, which suggests the program is yielding results. At a general level, stakeholders expressed a willingness to pay a bit more for border crossings as long as there is a significant reduction in the amount of time it takes to cross the border.

**Joint Urban Planning:** If one begins with a recognition that the twin cities of the U.S.-Mexico border are truly single metropolitan areas that just happen to have an international boundary running through them, then joint binational urban planning is a natural response to the often uncoordinated growth and servicing of the border region. The fact that border communities are experiencing faster population growth than their respective national averages adds to its importance. The Universidad Autónoma de Ciudad Juárez has an urban planning department and is interested in facilitating a coordinated effort with El Paso to develop a framework for joint urban planning.

**Water Conservation and Innovation:** From the perspective of usage, a growing population and industry are adding pressure to already strained regional water resources in the Paso del Norte region. At the same time water supply shortages, like the moderate to extreme long-term drought conditions being reported for the area by the U.S. National Oceanic and Atmospheric Administration (NOAA), are likely to become increasingly common as a result of climate change. Stakeholders were well aware of these challenges and encouraged those involved in economic development to pursue strategies for sustainable development. Also recommended were a diverse set of direct approaches that cities in the region could pursue, including increasing wastewater recycling, greywater reutilization, and the desalination of brackish groundwater (preferably in a coordinated or cooperative manner so as to reduce infrastructure costs). Joint approaches to water conservation could

go a long way in reducing current political tensions over water resources.

**Building and Retaining Human Capital:**

Technological advances along with new techniques in manufacturing, logistics and business management are putting a greater premium on high-skilled workers and are forcing companies to make investment decisions based less on the availability of cheap labor and more on the adequate human capital to fill jobs with high-quality employees. Border communities have long faced a brain drain challenge, with their best and brightest leaving the region in order to fully utilize their talents. Both the advance of regional industry (like the growth of the aerospace and biosciences) and the so-called flattening of the world through advances in communications technology reduce the need and incentive for such a practice. To capitalize on the opportunities, regional universities, community colleges and technical schools must continue to improve and deepen their connections to the local labor market. Expanding the use of (particularly binational) internships as an academic tool is of great importance. Partnerships with industry to design curriculum and create more direct pathways from education to employment would also boost the regional economy.

**Institutions that Unite the Border Region:**

Institutions representing and serving the U.S.-Mexico border region are in great need and short supply. Those that are active, like the North American Development Bank/Border Environmental Cooperation Commission, which help design and fund environmental infrastructure projects, are highly respected and valued. On the political side, organizations like the Border Legislative Conference (BLC), Border Mayors Association (BMA), Congressional Border Caucus and Border Governors Conference (BGC) are tremendously important as forums to share best practices and venues to articulate a common voice for the border region to speak to the nations' capitals. Stakeholders suggested these organizations should, if needed, be revived and in all cases strengthened. They are natural points of engagement for U.S.-Mexico federal to federal initiatives like the High Level Economic Dialogue

(HLED); the Bilateral Forum on Higher Education, Innovation and Research (FOBESII), and the Mexico-United States Entrepreneurship and Innovation Council (MUSEIC). More active and institutionalized methods of communication and collaboration between these federal initiatives and border region organizations could add a shot of creativity to the federal projects and build support networks for implementation. In a similar way, increased communication and focused collaboration between the federal and state governments and the private sector and civil society in the border region is needed. Stakeholders noted the need to create a strong civil society network spanning the border region or even the Paso del Norte region that could serve as a credible interlocutor. Finally, Border

Master Plans have been an effective tool for formally communicating local port of entry priorities to the federal government—in particular the U.S. Department of Transportation. The information developed in the process, and the process itself, might be a useful input into the HLED.

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