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Key Recommendations

Institutions

• Strengthen, expand and promote institutions that represent and serve the U.S.-Mexico border region economy. Only with robust institutions can border communities speak to national audiences with a unified voice strong enough to dispel misperceptions and promote policies that make the border an engine for the competitiveness of the regional economy. An example of two institutions that can be strengthened are the Border Governors Conference and the Border Mayors Association, both of which are in need of a permanent secretariat, regular annual meetings, and an agenda based on the sharing of best practices and collective negotiation with the federal governments. Additionally, the Border Legislative Conference requires ongoing financial support to sustain its robust efforts. Member government dues, federal grants, and private sector contributions are all potential vehicles for funding these institutions.

Economic Development

• Support and develop inclusive binational Mega Regions along the U.S.-Mexico border to enhance collaboration between border communities and economic stakeholders. City, state, and federal governments should support the many burgeoning (and some longstanding) efforts throughout the region for border binational metro-areas to jointly build and execute strategies to attract investment and boost exports.

• Promote cross-border urban planning and development in border communities, building those communities as the binational metropolitan areas that they are.

Ports of Entry

• All levels of government, as well as the business community and non-governmental organizations, have a role to play in supporting cross-border transportation infrastructure and staffing. New federal legislation (section 560 and 559 authority) offers state and local government and the private sector a new framework through which to get involved in the funding of port of entry infrastructure and staffing. Beyond these specific mechanisms, history suggests there is a wide array of options—including private and municipal ownership, local donations to federal agencies, and collaborative planning processes—for non-federal participation in the improvement of cross-border transportation.

• Trusted traveler programs are the most cost effective way to improve border efficiency and security, but they need to be promoted, expanded, and more aggressively promoted. Extend dedicated and separated trusted traveler and shipper lanes as far back as traffic extends on a busy day, and deepen cooperation between the U.S. and Mexican federal governments, with the support of regional actors, to better promote enrollment in the programs.

• Historically, at least two border city pairs had cross-border trolley lines, El Paso-Ciudad Juárez and Laredo-Nuevo Laredo. Though it would take creativity, hard work and collaboration with border authorities to implement, the benefits of restoring trolley lines
or building new cross-border transportation options, such as dedicated bus lanes, would include reduced wait times and a redoubled sense of binational unity.

Human Capital

- In order for the U.S. and Mexico to achieve their goals of increased educational exchange, establish a binational education task force focused specifically on the border region, where the opportunities are greatest and costs are least.

- Promote greater collaboration between regional universities, community colleges and technical schools, government and the private sector to create, attract, and retain the labor pool necessary to fill industry needs at the border. The Monterrey and Chihuahua Centers for Research on Advanced Materials (CIMAV) are one example of how to build successful partnerships between educational institutions and the business community.

Energy, Natural Resources and Water

- The U.S. shale boom and Mexican energy reforms are transforming and will continue to transform the border region. U.S. and Mexican state and local governments should increase engagement with the business community and federal government to prepare for and capitalize on energy development.

- Develop renewable energy clusters, grouping together generators in order to maximize the use of expensive electricity transmission infrastructure investments.

- Protect the environment while developing energy. Water and other resource demands are already stressing the border region. In this context, wise economic development is sustainable economic development, which strategically prioritizes the use of limited resources to maximize human development and ensure environmental sustainability.

Strengthening Regional Competitiveness

At the fourth and final Regional Economic Competitiveness Forum in El Paso, Texas, Congressman Beto O’Rourke told nearly 600 policymakers, businesspeople, and community members that “When we fail to define the border, we allow [others] to define the border for us.” Defining a region as diverse and complex as the U.S.-Mexico border, however, is no easy task. From the Pacific Ocean to the Gulf of Mexico, from small rural agricultural and ranching communities to large urban centers of innovation and advanced manufacturing, the border is based in both tradition and the crossing of boundaries. It is both Mexico and the United States; yet it is something more. It is in this “something more,” the fusion of cultures, geographies and economies that the common voice of the region is found. This is particularly true when we discuss the economic realities, needs and enormous potential of the region.

Seeking that common voice while aiming to articulate a shared vision of inclusive economic competitiveness that respects the unique needs of each sub-region, a series of four U.S.-Mexico Regional Economic Competitiveness Forums were held in 2014. The effort involved the partnership of several organizations--the Border Legislative Conference (BLC), the Council of State Governments West (CSG West), the Woodrow Wilson International Center for Scholars’ Mexico Institute, the North American Research Partnership, several members of the Congressional Border Caucus, and USAID-Mexico.

We traveled to San Diego/Tijuana, Nogales/Nogales, El Paso/Ciudad Juárez, and Laredo/Nuevo Laredo to engage border region stakeholders in a process that collectively generated a shared vision and numerous policy recommendations to strengthen regional competitiveness. This report lays out the major issues involved in border region economic development, compiles the many innovative ideas developed at the forums, and weaves them into a series of policy recommendations that draw on the experiences of those who understand the border best—the individuals who live in border communities and who cross back and forth between Mexico and the United States as a part of their daily lives.

The 2014 forums were born from a previous iteration of a similar process. In 2005-2006, some of the same partners held three Regional Economic Development Forums, bringing together key stakeholders from across the U.S.-Mexico border region to develop a new vision for trade and
development. Reflecting on the vision and recommendations that were issued, it is quite clear that policy options generated through stakeholder engagement were years ahead of the policies being enacted in the national capitals. Some ideas, such as preclearance, are currently in the pilot project phase along the U.S.-Mexico border, while others, such as integrated regional transportation planning for U.S.-Mexico and North American trade corridors, are only just being initiated at the federal level.

Such findings should not be surprising. The people, companies, and government officials that depend on having a secure and competitive border on a daily basis are the logical source for innovative approaches to border management. With that in mind, and aware that the challenges and opportunities facing the border region have evolved significantly since 2006, this new round of Regional Economic Competitiveness Forums provide a much-needed opportunity for the border region to define itself and present its own goals, vision, and recommendations.

Transitions and Opportunities
Interdependence is a natural state of affairs along the border. From public health to natural resource management and public security, what happens on one side of the border has a major impact on the other. In no area is this clearer than in the economic development and competitiveness of the region.

Through the development of systems of co-production, the United States and Mexico do not simply buy and sell goods from one another but rather manufacture them together. As a result the productivity and competitiveness of communities on both sides of the border are tightly linked. Based in such deep economic integration, new economic development initiatives have emerged in recent years—from the CaliBaja Mega Region in Tijuana and San Diego to the Binational Economic Development Zone project in Brownsville and Matamoros—to promote border communities as the unified economic regions that they are. Through these new projects and many well-established networks and organizations, the level of cross-border partnership is stronger than ever, presenting a tremendous opportunity.

Table 1: U.S. Border States’ Merchandise Exports to Mexico, 2008-2013 (Billions of Dollars)

<table>
<thead>
<tr>
<th>State</th>
<th>2008 Exports</th>
<th>2013 Exports</th>
<th>Percent Change, 2008-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$20.4</td>
<td>$23.9</td>
<td>+17</td>
</tr>
<tr>
<td>Arizona</td>
<td>$5.9</td>
<td>$7</td>
<td>+20</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$0.38</td>
<td>$0.8</td>
<td>+109</td>
</tr>
<tr>
<td>Texas</td>
<td>$62</td>
<td>$100.9</td>
<td>+63</td>
</tr>
</tbody>
</table>

In a curious way, the border tends to divide east and west as often as north and south. Officials, businesses, and civil society in El Paso, for instance, are generally more accustomed to reaching across the border to collaborate with counterparts in Ciudad Juárez than those in San Diego. But, with greater energy and maturity in cross-border initiatives, the moment is ripe for the border region to organize itself around common interests and advocate with a strong, united voice in Washington, D.C., and Mexico City. In this context, this series of Regional Economic Competitiveness Forums took on a special role in helping border communities articulate a common vision for border competitiveness and local development strategies that take advantage of the unique attributes of each economic sub-region.

Equally important are developments that have shaped both governments’ approach to the bilateral relationship. The terrorist attacks of September 11, 2001 and the rise of organized crime related violence in Mexico in the latter part of the 2000-10 decade kept security matters at the top of the agenda for both U.S.-Mexico relations and the U.S. conversation about the management of the southwest border.

Since then, significant progress has been made on issues of bilateral security cooperation—including the Merida Initiative at the federal level and the development of strong relationships among many state and local police and prosecutors—opening a space for new items on the agenda. At the same time, the financial crisis and recession of 2008-2009 reminded us all that economic security is also of primary concern, right alongside issues of national and public security. Since the election of Enrique Peña Nieto in 2012, issues of economic cooperation now sit atop the bilateral agenda. The launching of the U.S.-Mexico High Level Economic Dialogue (HLED) is the most important expression of this development, and it has begun to accelerate bilateral progress on issues of trade facilitation, regional transportation planning, energy cooperation, educational exchange, and cooperation in the negotiation of regional trade agreements, most notably the Trans-Pacific Partnership (TPP).

At the same time, Mexico has undertaken an economic reform effort, adopting constitutional and major legislative changes with the goal of strengthening competition policy, energy markets, the educational system, and access to financing, among others. This confluence of factors creates a window of opportunity for the border region. The United States and Mexico are increasingly understood at the highest levels of government and business to primarily be partners rather than competitors in the fiercely competitive global economy. The border region manifests this partnership more clearly than anywhere else.

This makes the border the natural location to begin many of the binational projects being considered through the HLED process. For example, since over 75 percent of U.S.-Mexico trade crosses the land border and border congestion currently adds significant costs to each of those transactions, a very strong case can be made that improvements in efficiency at border ports of entry and access roads should be at the heart of the binational dialogue. Similarly, federal
innovation and manufacturing cluster mapping and economic development efforts will have the most clearly mutually-beneficial results when applied to twin cities along the border.

Yet, as obvious as these opportunities are to those living, working, and doing business in the border region, they are unlikely to come to fruition without an organized effort by border stakeholders to develop appropriate concepts, present them to local, state, and federal officials, and actively support their implementation. Budget constraints at the federal level have increased the importance for border region stakeholders to not only put forth innovative and practical policy proposals but to also suggest and participate in creative and multi-level approaches to fund their proposals.

Four Regions that Anchor Binational Trade and Regional Competitiveness
The series of forums examined four sub-regions of the U.S.-Mexico border: California-Baja California, Arizona-Sonora, West Texas-New Mexico-Chihuahua, and South Texas-Tamaulipas-Nuevo Leon-Coahuila. All four share major challenges and opportunities while simultaneously exhibiting distinctive cross-border economic traits, which require tailored economic development strategies.

What do these regions have in common? Although all four regions are located at a great distance from the national capitals, the presence of the international boundary results in federal jurisdiction on many key issues. As such, communities along the border acutely experience changes in national policies dealing with immigration, trade, and national security. Examples include the Border Industrialization Program (Maquiladora Program) of the 1960s, the North American Free Trade Agreement of 1994, and the post-9/11 security buildup by the United States. All four regions are vital nodes along major trade corridors: I-5, CANAMEX, I-10, and the International Mid-Continent (I-35). Nine of the 10 U.S. and Mexican border state capitals are located at a distance from the border, which presents a political challenge for border communities. However, all have active local interest groups that lobby state and federal officials on issues relating to border trade infrastructure and policy, key issues for virtually all border communities. Lastly, all four regions have historically important cross-border economic relationships based on proximity, comparative advantage, and longstanding familial and cultural ties. Border economic sub-regions have developed together over the years, and each is better understood (and developed) as a single binational entity rather than two or more separate municipalities with distinct development strategies.

What makes these regions distinct? Though the border itself unites them, the textures of history, geography, culture, and economic development are incredibly varied throughout the broader region.
The California-Baja California sub-region is notable for its population size and density, with more than five million inhabitants. With significant human capital on both sides of the border, the region is home to important high-value added advanced manufacturing clusters, including world-class medical devices, audio-visual equipment, and electronics manufacturing centers. While the region already benefits greatly from a culture of innovation, well-developed manufacturing clusters and a unique geography, the competitiveness of the CaliBaja mega region could be further strengthened. The region can build on its already impressive human capital and innovation systems; better connect to the global economy by investing in intermodal transport networks and export promotion; and improve regional ports of entry so that people and goods can move more efficiently across the U.S.-Mexico border, thereby enabling the region to take advantage of its remarkable strengths.

The area is home to what is almost certainly the busiest land border crossing in the world, San Ysidro, and innovative new ports of entry that feature a public/public partnership (Otay Mesa East) and a remarkable binational airport terminal. A strong desire in the region to increase cross border economic activity has resulted in the formation of several relatively new organizations, including the CaliBaja Binational Mega region, the San Diego-Tijuana Smart Border Coalition, and the Imperial Valley Binational Alliance, in addition to the more established economic development corporations in San Diego and Tijuana and the San Diego Association of Governments (SANDAG). These organizations effectively project the voice of the sub-region--its strengths, challenges, and potential--at the national and state levels and can, in many ways, serve as examples for the border as a whole.

The Arizona-Sonora region, on the other hand, is notable for its smaller Arizona border cities that neighbor much larger Mexican cities. In addition, the Nogales-Mariposa port of entry is unique due to the enormous volume of winter fruit and vegetable imported into the United States. The region has an unusually long and highly institutionalized state-to-state relationship through the Arizona-Mexico Commission/Comisión Sonora-Arizona. This mechanism of cooperation should be fully leveraged to design and advocate for policies and infrastructure investments needed to strengthen the competitiveness of the region.

Following a difficult diplomatic period beginning in 2010, Arizona has recently redoubled engagement with Mexico, which is linked to a realignment of the state’s economic priorities following the Great Recession and a belief that increased international trade has the potential to create more high-paying jobs for the state’s citizens. Indeed, the state’s Transportation and Trade Corridor Alliance—convened by the Arizona Department of Transportation and comprised of public- and private-sector economic stakeholder groups—has recommended that the state should aim to double its trade with Mexico by 2025 to $28 billion in two-way trade. Toward this end, potential highway and rail projects could bring significant additional commerce through the area and should be prioritized. Stronger efforts are needed to capitalize on potential cross-border synergies in regional industries such as aerospace, agriculture and automobile production.

The region comprising El Paso, Texas, Ciudad Juárez, Chihuahua, and Las Cruces/Santa Teresa, New Mexico (also known as the Paso del Norte region) is noteworthy for its enormous size and importance as a manufacturing platform. Indeed, Ciudad Juárez was the site of the first
maquiladoras, which are foreign-owned factories at which imported parts are assembled for export purposes. Ciudad Juárez boomed with the arrival of these 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 the Fort Bliss Army installation and major investments in the biomedical science and healthcare industries. The University of Texas at El Paso has a particularly close relationship with Mexico and currently has approximately ten percent of the total number of Mexican students studying at U.S. universities. With public security vastly improved in Ciudad Juarez, a new baseball stadium and Triple-A team recently arriving to downtown El Paso, and a deep commitment from the residents of both cities to bring their region together and grow the economy, the ground appears more fertile than ever for ambitious binational initiatives. Indeed, the success of the City of El Paso’s participation in Customs and Border Protection's Section 560 pilot project, which allows city revenue from border crossing fees to help fund additional port of entry staff, shows that such efforts are already underway.

The South Texas-Tamaulipas-Nuevo León-Coahuila area has at least three separate and important economic engines. First, Laredo/Nuevo Laredo is by far the busiest commercial port of entry on the U.S.-Mexico border, serving as the gateway for the Midwest and eastern United States’ trade with Mexico. It is located midway between the important industrial City of Monterrey, Nuevo Leon and San Antonio, Texas. The massive flow of manufactured goods and parts through the region offers significant opportunities for backward integration developing the local supplier base that, because of its location on an existing logistics corridor, has the advantage of greatly reducing shipping costs in the relevant industries. This opportunity exists both along the I-35 corridor and also further down the Rio Grande Valley, where there are already numerous medium sized sister-city pairs with important manufacturing clusters that could be built upon.

Recently, the boom in shale gas and oil production from the Eagle Ford formation has propelled growth in South Texas at a new velocity. With Mexico’s recently passed energy reform there is great interest in the energy industry to develop something similar on the Mexican side of the formation. The growth that comes with such rapid energy development has major benefits for the local economy, but it is not without its challenges. It is imperative for educational institutions in Texas, Tamaulipas, Nuevo Leon, and Coahuila, in partnership with the private sector, to quickly upgrade and scale training programs for energy industry jobs and the infrastructure development that accompanies an energy boom so that job growth truly benefits the region. Additionally, population increases and industrial development place pressures on regional natural resource management that must be carefully studied and addressed with community involvement. This is particularly true in Mexico, where environmental and natural resource issues tend to be managed more at the federal level, it will be incumbent on local and state policymakers to develop expertise and bring area business, educational and civil society organizations into a dialogue with the federal government to ensure that development supports the region and is sustainable.
The U.S.-Mexico border—one of the most remarkable stories in the global economy—finds itself in a period of significant transition. In order to continue to enhance the competitive position of the border region, as well as the economic well-being of its inhabitants, policymakers and stakeholders at the local, state, and federal levels will need to better understand and establish policies that help the border region better adapt to global realities and strengthen its role as an engine of growth for the regional economy. In addition, these same actors will need to work together to build more durable regional political coalitions and institutions that can “set the table” for future prosperity.

How the Report is Organized

Each of the four U.S.-Mexico Regional Economic Competitiveness Forums took on its own flavor based on the particular economic characteristics of the region in which it took place. Energy, for example, was high on the agenda in Laredo, while innovation clusters were central to the discussion in San Diego. Despite these differences, several key and border-wide themes emerged as core challenges and opportunities for the region’s economy. The report is organized into five chapters that look at each of these issues (for those readers who would like a summary of the discussion at these events please see the executive summaries in Appendix 1).

In chapter one, Erik Lee looks at the architecture of the border economy, that is, the numerous institutions that provide the avenues for efforts to improve policy and develop the regional economy. He outlines the array of bilateral economic initiatives that the U.S. and Mexican federal governments have launched in recent years, such as the High Level Economic Dialogue, noting that they should be seen as opportunities to be taken advantage of by border region city and state governments, as well as the private sector and universities. He also looks at the institutions that connect the border region and allow the region to engage the national capitals with a strong, unified voice, coming to the conclusion that some, such as the Border Governors Conference, which has not met for the past two years, need to be reinvigorated in order to better serve the border.

In chapter two, Lee looks at some of the most important economic development organizations and projects that are currently underway in the border region, many of which were represented at the 2014 U.S.-Mexico Regional Economic Competitiveness Forums. The most exciting development in this area is the recent creation of several binational economic development organizations. These organizations are built on the notion of transborder mega regions, which allows for the joint promotion of U.S. and Mexican border communities as cohesive units, leveraging assets on both sides of the border and showing the world that they truly are a single community. There is a role for both the private sector and government in developing such initiatives, and it would be helpful to create a network that links together the many border region economic development organizations in order to promote cooperation and the sharing of best practices, perhaps under the auspices of or simply supported by the HLED or an entity such as the International Economic Development Council.

In chapter three, Christopher Wilson looks at strategies to finance infrastructure investment and improve the management of the border ports of entry, without a doubt one of the most discussed topics in the U.S.-Mexico border region at this time. Examples of creative public private partnerships for cross-border infrastructure development are proliferating throughout
the region, not exclusively but especially as a result of new legislation and guidelines for U.S. Customs and Border Protection on this issue. For now, U.S. city governments and private entities have taken the lead in partnering with the federal government in this way, but we recommend that U.S. states and Mexican groups look into the possibility of working with the U.S. federal government. Only with all parties at the table will the region be able to fully take advantage of the opportunities for trade and travel that efficient border management provides.

In chapter four, Ruth Soberanes looks at the issue of human capital in the U.S.-Mexico border region. She finds that manufacturers and service providers alike are increasingly making investment decisions based on the availability of high-quality workers rather than cheap labor, which increases the importance of educational and worker training institutions. In addition to simply paying attention to their quality, Soberanes suggests that a stronger dialogue needs to be established between institutions for higher education and the private sector in the region and that border communities are the best place to implement new federal programs and expand state-to-state programs to boost bilateral educational exchange.

In the final chapter, Rick Van Schoik addresses areas of both enormous potential and constant constraint for the U.S.-Mexico border region: energy and natural resource management. The border has traditionally been understood as energy poor, but the development of shale resources in the east is quickly changing that calculus, with southeast Texas and increasingly Tamaulipas building infrastructure for energy production and trade at a tremendous pace. Van Schoik makes clear that the pace of change in the industry requires policymakers and Non-governmental organizations to move quickly or risk falling behind in both capitalizing on broader economic development opportunities and ensuring the sustainable use and protection of water and other resources.

In each of the chapters, the authors provide context on new developments in their area of focus before offering numerous recommendations for all levels of policymakers, the vast majority of which were articulated by the numerous stakeholders at the forums. The full list of stakeholder recommendations from the Regional Economic Competitiveness Forums, which are developed in greater detail throughout the report, are below:

26 Ways to Strengthen Border Competitiveness*

1. Strengthen, expand and promote institutions that represent and serve the U.S.-Mexico border region economy.
2. Utilize public private partnerships for funding of port of entry infrastructure and staffing.
3. Expand and promote the trusted traveler and shipper programs with the cooperation of federal and regional actors.
4. Build cross-border public transportation options, such as trolleys or dedicated bus lines.
5. Increase dialogue between public and private stakeholders to pilot innovative solutions to reduce crossing times.
6. Place customs officials at pre-inspection sites away from the border to reduce the work done at congested ports of entry.
7. Speed up movement of traffic with increased risk segmentation and better targeting systems.
8. Improve “customer” service at border crossings while maintaining operational integrity.
9. Support the use of technology on both sides of the border to better diagnose and track the progress made on trade and travel facilitation at the ports of entry.
10. Support and develop inclusive binational Mega Regions and other regional economic development efforts throughout the U.S.-Mexico border region to enhance collaboration between border communities and economic stakeholders and build economic growth and quality of life.
11. Promote binational urban planning and development in border communities.
12. Make border crossings a focus of bilateral cooperation and hubs of binational interaction.
13. Connect economic development organizations along the entire border to share best practices and strengthen the voice of the border region in national conversations.
14. Fund and conduct applied binational economic development research.
15. Identify and promote cross border manufacturing assets.
16. To increase educational exchange between the United States and Mexico, establish a binational education task force that focuses on the border region and the development of a stronger binational workforce.
17. Promote greater collaboration among regional universities, community colleges, technical schools, government, and the private sector in order to create, attract, and retain the human capital necessary to fill industry labor needs at the border.
18. University, community, and vocational college and business leaders should collaborate in the development of curriculums to insure that graduates have the skill set necessary to meet the demands of the evolving workforce industries at the border.
19. Ensure the accreditation of cross border educational programs in both countries.
20. Establish binational internships along the border to create more direct pathways from education to employment.
21. Create and expand pilot programs being developed along the border, such as the proposed manufacturing innovation institute.
22. Increase local, state, and federal cooperation to capitalize on energy opportunities.
23. Develop renewable energy clusters.
24. Protect the natural environment and especially water resources while developing energy projects.
25. Use public-private partnerships to fund public health and educate people about the consequences of energy development.

*Each of these recommendations is developed in greater detail in the full report.

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