Realizing the Strategic National Value of our Trade, Tourism and Ports of Entry with Mexico

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Cover image of San Ysidro, California port of entry by Josh Denmark, CBP Photography photostream on Flickr.

Executive Summary

Millions of jobs and critically important economic activity are at stake

Because our collective economic security is a public policy issue of primary importance, it is critically important to understand what works and what doesn't work. Measured in any number of ways, trade with Mexico definitely works. Mexico is our nation's number two export market in the world and our number three trading partner (imports and exports). Bilateral trade is estimated to have reached $535.9 billion in 2012, surpassing even 2011's half-trillion record amount of trade. In addition, Mexico is our nation's second most important foreign tourism market as well as the fourth-ranked in terms of spending by tourists. Six million U.S. jobs depend on our trade with Mexico.

Investment in ports of entry is key

Key policies and infrastructure can either help or hinder this enormous economic exchange. Forty-seven U.S.-Mexico land ports of entry facilitate several hundreds of billions dollars in U.S.-Mexico trade every year. Ideally, ports of entry should act as membranes, facilitating healthy interactions (such as legitimate trade and travel) and preventing unhealthy ones (such as illicit drugs, firearms and human smuggling). And ideally much of the actual inspection and clearance should occur "upstream" from the ports. Broad bipartisan agreement has developed on the need to improve our land ports of entry with Mexico. This is because over seventy percent of NAFTA trade flows through these ports of entry as well as an enormous flow of visitors who have a major economic impact on the United States. Twenty-three states have Mexico as their number one or number two trading partner, multiplying jobs in both countries.

Significant investments of various types are badly needed for our shared land ports of entry with Mexico. Greatly increased security at the ports of entry since September 11, 2001 coupled with inadequate staffing and infrastructure have significantly increased border wait times. And with continued Congressional gridlock on funding and U.S. Customs and Border Protection projecting a $6 billion shortfall in infrastructure investment on both our southern and northern borders, we may be headed for a debilitating slowdown in North American trade. The regional border infrastructure master planning process is a step in the right direction of formally recognizing the vast bottom-up nature of interaction at the border by thousands of key stakeholders. But this more inclusive infrastructure planning system has not been met with increased funding for ports of entry staffing or infrastructure. The North American Development Bank may offer a model for funding border infrastructure projects.

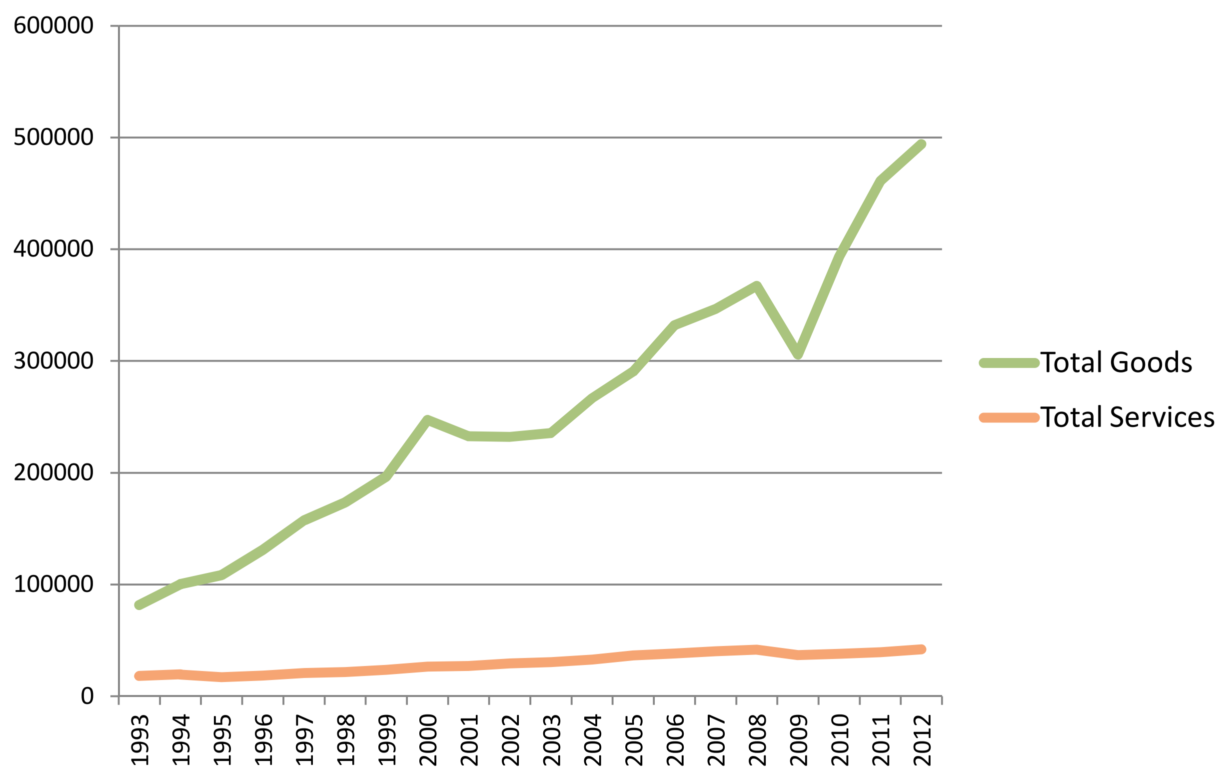
We have a window of opportunity

A renewed focus by the United States and Mexico on economic cooperation and efforts by Congress to facilitate legitimate trade and tourism with Mexico offer a number of opportunities. The proposed Border Security, Economic Opportunity, and Immigration Modernization Act of 2013 proposes the addition of 3,500 additional Customs and Border Protection officers to staff the ports of entry to be funded by a newly created Comprehensive Immigration Reform Trust Fund. In addition, S. 178 and H.R. 1108, the Cross Border Trade Enhancement Act of 2013, aim to facilitate enhanced staffing but also infrastructure improvements at ports of entry via alternative financing mechanisms such as public-private partnerships. Legislation such as this is necessary in order for the United States to take full advantage of NAFTA's potential as well as the next generation of trade agreements, including the Trans Pacific Partnership and the Transatlantic Trade and Investment Partnership, which have the potential to significantly enhance North American competitiveness for decades to come.

Trade with Mexico: A Strategic Pillar of the U.S. Economy

Since the implementation of the North American Free Trade Agreement (NAFTA) in 1994, bilateral trade between the United States and Mexico has grown rapidly, reaching a record high of nearly $500 billion in goods and services trade in 2011 and surpassing even this record in 2012 with a total of $535.9 in goods and services trade together. Bilateral trade has more than quintupled since 1993, the year the North American Free Trade Agreement was signed (see Figure 1 below). Mexico is the third-ranked commercial partner of the U.S. and the second largest market for U.S. exports (see Figure 2 below). Mexico spent more than $216 billion on U.S. goods in 2012, and trade with Mexico sustains six million jobs in the U.S. Despite the reality of this enormous commercial relationship, this is economic value that remains "hidden in plain sight" for many.

Figure 1: Total U.S.-Mexico Goods and Services Trade, 1993-2012 (in millions of U.S. dollars)



Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis. 2012 services numbers are preliminary. http://www.census.gov/foreign-trade/statistics/country/ and http://www.bea.gov/iTable/index_ita.cfm

To put the sheer size of this commercial partnership in perspective, U.S. sales to Mexico are larger than all U.S. exports to the BRIC countries (Brazil, Russia, India and China) combined, as well as all combined sales to the United Kingdom, France, Belgium and the Netherlands (see Figure 2). American consumers and businesses import large quantities of jointly produced products and services from Mexico such as automobiles, produce, and petroleum, just to name a few. Still, for every dollar Mexico makes from exporting to the U.S., it will in turn spend approximately 40 cents on U.S. products or services, which are a considerable benefit to our economy and demonstrates the truly unique quality of this trade or "joint production" relationship.[1]

Figure 2: 2012 Total Goods Trade, Exports, and Imports, Top 15 U.S. Trading Partners (in billions of U.S. dollars)

Rank	Country	Exports YTD	Imports YTD	Total Trade YTD	Percent of Total Trade
---	**Total, All Countries**	**1,547.1**	**2,275.0**	**3,822.2**	**100.0%**
---	**Total, Top 15 Countries**	**1,049.0**	**1,703.0**	**2,752.0**	**72.0%**
1	Canada	292.4	324.2	616.7	16.1%
2	China	110.6	425.6	536.2	14.0%
3	Mexico	216.3	277.7	494.0	12.9%
4	Japan	70.0	146.4	216.4	5.7%
5	Germany	48.8	108.5	157.3	4.1%
6	United Kingdom	54.8	54.9	109.8	2.9%
7	Korea, South	42.3	58.9	101.2	2.6%
8	Brazil	43.7	32.1	75.8	2.0%
9	Saudi Arabia	18.1	55.7	73.8	1.9%
10	France	30.8	41.6	72.4	1.9%
11	Taiwan	24.4	38.9	63.2	1.7%
12	Netherlands	40.7	22.3	63.0	1.6%
13	India	22.3	40.5	62.9	1.6%
14	Venezuela	17.6	38.7	56.4	1.5%
15	Italy	16.0	36.9	52.9	1.4%

Source: U.S. Census Bureau, http://www.census.gov/foreign-trade/statistics/highlights/top/top1212yr.html#total and http://www.census.gov/foreign-trade/balance/c4621.html

Mexico is not only important as an economic partner to the United States but is also an economic power in its own right. Mexico has a $1.76 trillion dollar economy, the twelfth largest in the world (measured by GDP purchasing power parity)[2] and is a member of the Group of 20 (G-20, twenty major global economies) and of the Organization for Economic Co-operation and Development (OECD). It has a large number of Free Trade Agreements (FTAs) with other nations—44 total, compared to the United States' 20 agreements. This creates a unique opportunity for international commerce and foreign direct investment since it gives the country and its commercial partners (particularly the United States) access to an enormous potential market.

Of particular interest to the United States is the impressive growth of the Mexican economy since the Great Recession. After having contracted by 6% in 2009, Mexico's GDP grew at 5.5% in 2010 and then settling at a rate of 3.9% in 2011 and then 3.8% in 2012. This compares with the United States' 3.5%

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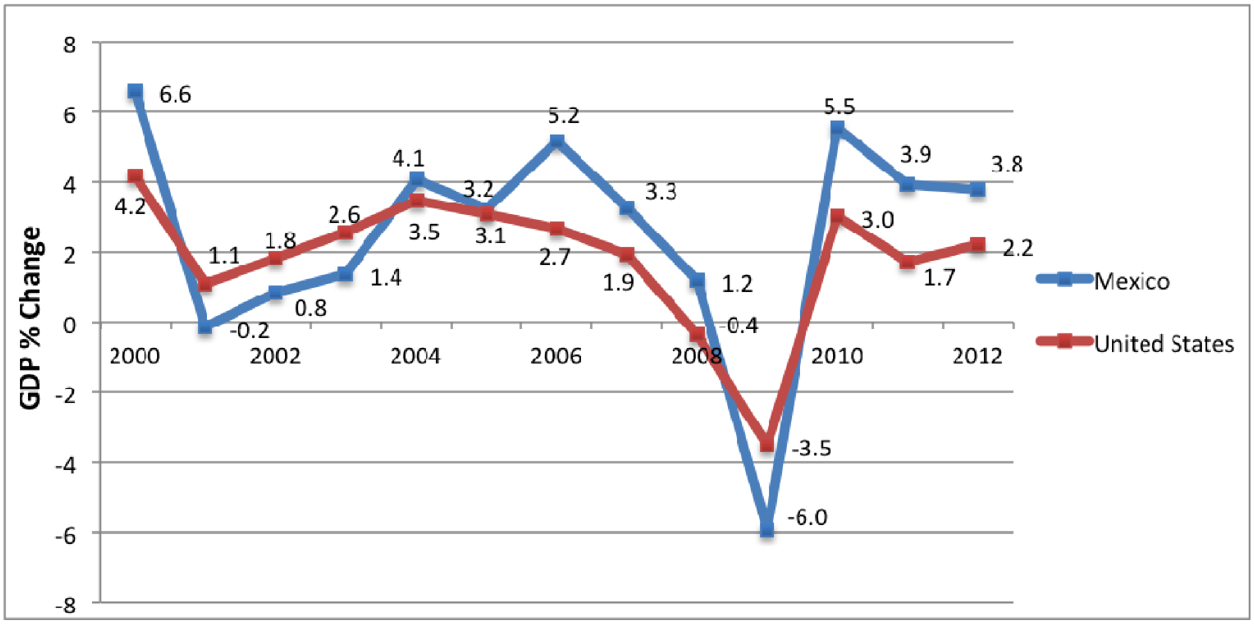
[1] Christopher E. Wilson, *Working Together: U.S.-Mexico Economic Ties,* Washington, DC: Woodrow Wilson International Center for Scholars, 37.

[2] CIA World Factbook, https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html?countryName=Mexico&countryCode=mx&regionCode=noa&rank=12#mx.

contraction in GDP in 2009, 3.0% growth in 2010, 1.7% growth in 2011 and 2.2% growth in 2012 (see Figure 3 below). From these statistics we see that a) Mexico's economic growth and/or contraction tracks the U.S. economy fairly closely and b) Mexico is currently growing at a faster rate than the United States. This is important in the context of the National Exports Initiative, which aims to double U.S. exports by 2015. Clearly, Mexico is one of our go-to customers with impressive additional potential to grow and to buy more products that are "Made in the U.S.A."

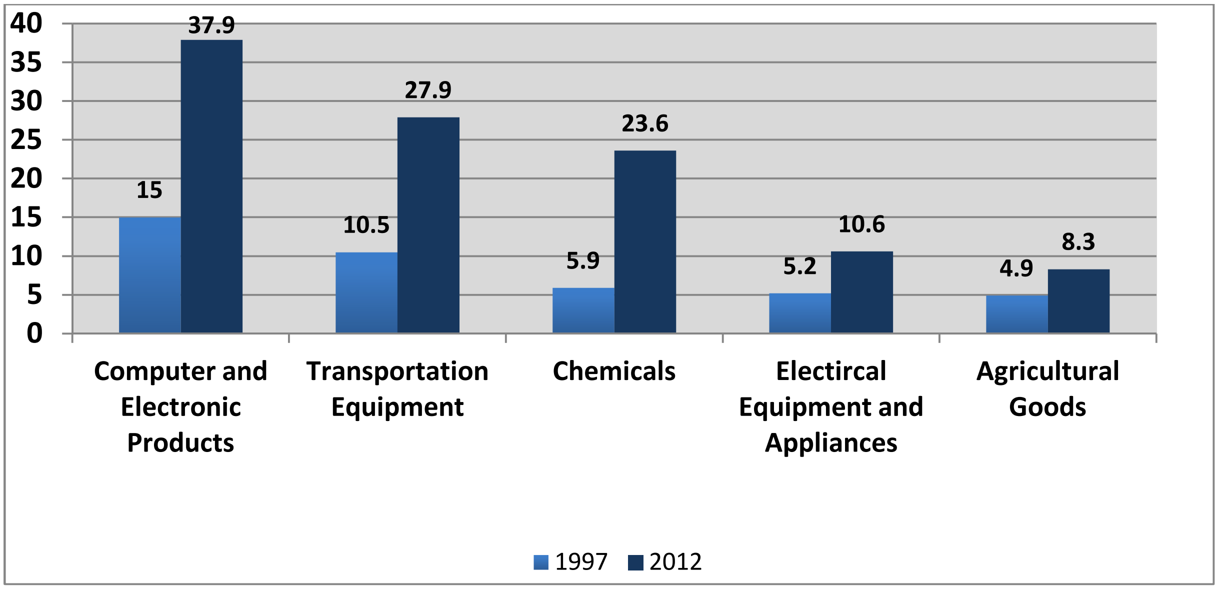
Figure 3: Percent Change in Gross Domestic Product of U.S. and Mexico, 2000-2012



Source: World Bank, http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries

It is important to note that U.S. exports to Mexico are not only enormous in dollar value ($216.3B in 2012) but also distributed among a wide variety of industries, many of them high-value added industries that are a particular strength of the U.S. economy. These include computers and other electronics, transportation equipment, and chemicals, among others. U.S. exports to Mexico in many of these critical industrial sectors have more than doubled since the 1990s (see Figure 4 below).

Figure 4: U.S. Exports to Mexico by Main Sectors (in billions of U.S. dollars)



Source: U.S. Department of Commerce, International Trade Administration

States and U.S.-Mexico Trade

Trade with Mexico is critically important to state and local economies in the United States. Twenty-three U.S. states count Mexico as their No. 1 or No. 2 export market. Bilateral trade is not simply a matter of the Southwestern border region's economic interaction with its neighboring states in northern Mexico. Rather, we are witnessing the expansion of economic interaction that takes place along long supply chains in a number of very large and important industries across the entire United States (see Figure 5 below).

Texas dominates U.S.-Mexico trade with over $194 billion in goods trade in 2012. Another border state with a large economy, California, ranks second in goods trade with Mexico with over $62 billion. Michigan, a northern border state, ranks third with $48 billion, a testament to the extensive supply chains in the North American automotive sector. The important point here is that Mexico is the number one or number two foreign trading partners for twenty-three U.S. states, many located far from the border.

Figure 5: Top U.S. States Trading with Mexico, 2012 (in millions of U.S. dollars)

U.S. State	Rank of Mexico as Export Market #	Exports Value	Imports Value	Total Trade
Texas	1	$94,800	$99,853	**$194,653**
California	1	$26,320	$36,039	**$62,359**
Michigan	2	$10,459	$38,140	**$48,599**
Louisiana	2	$6,518	$5,131	**$11,649**
Illinois	2	$6,367	$9,133	**$15,500**
Arizona	1	$6,269	$6,748	**$13,017**
Ohio	2	$4,708	$6,660	**$11,368**
Tennessee	2	$4,232	$4,963	**$9,195**

Indiana	2	$3,906	$3,566	**$7,472**
Iowa	2	$2,498	$1,430	**$3,928**
Wisconsin	2	2,165	$3,005	**$5,170**
New Jersey	2	$2,108	$2,757	**$4,865**
Missouri	2	$1,818	$2,626	**$4,444**
Nebraska	2	$1,812	$182	**$1,994**
Kentucky	2	$1,716	$3,197	**$4,913**
Kansas	2	$1,459	$1,008	**$2,467**
Colorado	2	$848	$1,087	**$1,935**
Arkansas	2	$845	$778	**$1,623**
Oklahoma	2	$620	$885	**$1,505**
New Mexico	2	$618	$496	**$1,114**
New Hampshire	2	$474	$562	**$1,036**
South Dakota	2	$345	$58	**$403**
North Dakota	2	$282	$144	**$426**

Source: U.S. Census Bureau, http://www.census.gov/foreign-trade/statistics/state/data/index.html

Progress on U.S.-Mexico Trade Issues in 2012-2013

- **Bilateral trade continues to increase.** In 2012, the two nations surpassed their record of $500 billion reached in 2011, reaching $494 billion in merchandise trade and $41.9 billion in services trade[3] for a total of $535.9 billion in total trade.
- **The U.S. and Mexico emphasize trade diplomacy.** President Obama and President Peña Nieto recently established a High Level Economic Dialogue to be led by cabinet-level officials. Since entering office in December 2012, Mexican President Enrique Peña Nieto has indicated Mexico's strong desire for bilateral trade to head the bilateral agenda.
- **Mexico and Canada join Trans Pacific Partnership talks.** In 2012, Mexico was formally accepted as a partner in the Trans Pacific Partnership negotiations together with Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.
- **Some progress in infrastructure planning and coordination.** The 21st Century Border binational interagency process continued its work in coordinating various technical aspects of border infrastructure.
- **Infrastructure funding discussion has shifted to public-private partnerships.** Ports of entry infrastructure funding is a lengthy and highly uncertain process. For this reason, public-private partnerships have emerged as a key alternative to the Congressional budgetary process as a way of potentially increasing staffing and upgrading infrastructure where needed. Senate Bill 178 directly addresses this concept and has bipartisan support.
- **Potential for more staffing at ports of entry.** The proposed Border Security, Economic Opportunity, and Immigration Modernization Act of 2013 proposes the addition of 3,500 additional Customs and Border Protection officers to staff the ports of entry to be funded by a newly created Comprehensive Immigration Reform Trust Fund.

[3] Bureau of Economic Analysis International Transactions data, preliminary 2012 statistics, bea.gov.

Tourism from Mexico: An Underappreciated Economic Stimulus for the Southwestern U.S. (and the Interior)

Recognizing that the country's share of global travel spending had fallen from 17.2 % in 2000 to an estimated 11.6% in 2010, the United States has taken a number of steps to boost travel and tourism and by extension boost job creation. Although the U.S. welcomed 13.47 million visits from Mexico in 2010, there is tremendous untapped potential for the U.S. in the Mexican market, currently ranked second in overall visitation and fourth in overall spending (see Figures 6 and 7 below) .

Why would the U.S. want to focus on Mexico? Focusing federal efforts on increasing *Mexican* tourism offers particular advantages that may not be readily apparent and even counterintuitive to most Americans. To begin with, it is important to keep in mind that Mexico is a "middle income" country, rather than a *poor* country. Mexico has the 12th largest economy in the world and boasted the fastest growth of any OECD country in 2011. Trade with Mexico supports six million jobs in the United States, and the country is the United States' second largest export market after Canada. And finally, according to Mexican analysts Luis de la Calle and Luis Rubio, a majority of Mexicans can now be considered to be "middle class" by various measures.[4] This is truly a remarkable achievement that has gone virtually unnoticed and gives an indication of what the size of the potential tourism market *might* be in Mexico if we would take the necessary steps to realize this latent value.

Figure 6: 2011 - 2012 International Visitation: Top 10 Markets[5]

2011 Rank	2012 Rank	Country	2011 Arrivals	Change 2010-2011	Jan.-Nov. 2012 Arrivals*	Change 2011-2012*
1	1	Canada	21.03 Million	5%	21.19 Million	5.9%
2	2	Mexico	13.42 Million	0%	12.76 Million	5.3%
3	3	United Kingdom	3.84 Million	0%	3.48 Million	-1.8%
4	4	Japan	3.25 Million	-4%	3.38 Million	13.6%
5	5	Germany	1.82 Million	6%	1.75 Million	2.7%
6	6	Brazil	1.51 Million	26%	1.58 Million	18.2%
7	8	France	1.5 Million	12%	1.36 Million	-3%
8	9	South Korea	1.15 Million	3%	1.14 Million	8.5%
9	7	China (EXCL HK)	1.09 Million	36%	1.34 Million	35.9%
10	10	Australia	1.04 Million	15%	1.01 Million	7.9%
11	11	Italy	891,571	6%	758,072	-6.4%

* Statistics are for Jan.-November 2012. December 2012 statistics are not yet available.
Source: U.S. Department of Commerce, Office of Travel and Tourism Industries

[4] Luis de la Calle and Luis Rubio, *Mexico: A Middle Class Society. Poor No More, Developed Not Yet.* Washington, DC: Woodrow Wilson International Center for Scholars and Centro de Investigación para el Desarrollo, 2012.
[5] Statistics reflect visitation to the U.S. via land, air and sea with one night or longer stay in the U.S.

Figure 7: 2011 International Spending in the U.S.: Top 10 Markets

Rank	Country	2011 Spending	Change from 2010
1	Canada	$24 Billion	15%
2	Japan	$14.8 Billion	2%
3	United Kingdom	$12 Billion	6%
4	Mexico	$9.25 Billion	6%
5	Brazil	$8.45 Billion	36%
6	China	$7.74 Billion	47%
7	Germany	$6.34 Billion	12%
8	France	$4.98 Billion	18%
9	Australia	$4.96 Billion	22%
10	India	$4.42 Billion	10%

Source: U.S. Department of Commerce, Office of Travel and Tourism Industries, http://www.tinet.ita.doc.gov/pdf/2011-Top-10-Markets.pdf

Federal Policy Framework

The federal policy framework exists to meet this need for our economy, and part of the solution is in plain sight, though challenges remain in strategy, promotion, visa processing, and at our land ports of entry with Mexico.

Strategy

The Great Recession drove the need for the United States to reconsider key drivers of economic growth that could help put the nation's economy back on course. Travel and tourism are one of these key drivers, and the U.S. faces large challenges in reclaiming its declining share of the global tourism market.

On January 18, 2012, President Obama signed an Executive Order directing the Departments of Commerce and Interior to head a task force that would develop a new federal strategy for travel and tourism. The National Travel and Tourism Strategy by the Task Force on Travel and Competitiveness emphasized five overarching concepts necessary to increase travel to the U.S.:

- Promoting the United States.
- Enabling and enhancing travel and tourism to and within the United States.
- Providing world-class customer service and visitor experience.
- Coordinating across government.
- Conducting research and measuring results.

Each of these concepts applies to the specific situation with Mexican tourism. While space prevents us from delving into these in more detail, for the purposes of this paper it is revealing to note that the Strategy made numerous specific mentions of Mexico, particularly as "low-hanging fruit" for opportunities for increasing travel to the U.S.

Mexico represents a near-term opportunity for increasing travel to the United States because of its growing middle class and strong cultural ties.

—National Travel and Tourism Strategy, May 2012

Promotion

There is an overall consensus by tourism experts that there is a latent demand for travel to the U.S. in Mexico, which is made difficult by a number of factors. One of the key factors is a sense in Mexico that while the U.S. offers excellent value and numerous high-quality attractions, the overall message that has been received in Mexico—particularly since the border security buildup sparked by the events of September 11, 2001—is not one that encourages travel to the U.S. In addition to this challenge—or perhaps *because* of this challenge—promotional efforts in Mexico have historically been led by states and particularly cities. San Antonio and Tucson are just two examples of U.S. cities that have actively promoted Mexican tourism.

The Great Recession drove the federal government to reconsider the need to actively promote travel to the United States abroad. On March 4, 2010 President Obama signed the Travel Promotion Act into law in an effort from the federal government to attract more international travelers to the U.S. The legislation laid the ground work for the development of a new public-private partnership, Brand USA, which would work with the private sector in promoting travel to the United States. While Mexico was not in the top tier of priority countries for Brand USA, according to a representative from the organization, Brand USA plans to commence activities in Mexico in May. "The campaign is an integrated multichannel strategy comprised of television, out-of-home, digital, and (sometimes) print, in addition to the ongoing public relations and social media efforts….Brand USA's efforts will include communication of visa, entry, and security policy language provided by the Tourism Policy Council and campaigns to promote the Global Entry program to eligible Mexican travelers."[6]

Though Brand USA is just now getting under way in Mexico, the partnership will need to move decisively and rapidly to turn Mexican tourists' attention northward in the face of stiff global competition for Mexican visitors and expenditures, primarily from the European Union.

Visa Processing

Another short-term goal of the federal government's travel promotion efforts is to rationalize the visa processing system through various initiatives. One of these is to expand the number of countries included in the Visa Waiver Program, a program that is jointly administered by the U.S. Departments of State and Homeland Security in which visitors to the U.S. from approved countries may visit for 90 days without obtaining a visa first. Although Mexico is our next door neighbor and a major Free Trade

[6] Communication with Aaron Wodin-Schwartz, Director, Public Policy Liaison, Brand USA, April 17, 2013.

Agreement (FTA) partner of the United States, Mexico is not included in the U.S. Visa Waiver Program (see Figure 8 below).[7] Canada is also not included in the program, though Canadian citizens do not need a visa to enter the United States from Canada for visiting or studying.[8]

Figure 8: Countries included in the U.S. Visa Waiver Program

Andorra	France	Liechtenstein	San Marino
Australia	Germany	Lithuania	Singapore
Austria	Greece	Luxembourg	Slovakia
Belgium	Hungary	Malta	Slovenia
Brunei	Iceland	Monaco	South Korea
Czech Republic	Ireland	The Netherlands	Spain
Denmark	Italy	New Zealand	Sweden
Estonia	Japan	Norway	Switzerland
Finland	Latvia	Portugal	Taiwan
			United Kingdom

Source: U.S. Department of State, http://travel.state.gov/visa/temp/without/without_1990.html

Instead, Mexicans who wish to travel to the United States are required to apply for a Border Crossing Card, a type of B1/B2 non-immigrant visa that is specific to citizens of Mexico. In order to be granted the card, applicants "must demonstrate that they have ties to Mexico that would compel them to return after a temporary stay in the United States" in the words of the U.S. Department of State.[9] Historically this has been seen as an onerous process for Mexicans wishing to travel to the United States, involving considerable time and expenses for a process with an uncertain outcome. Yet the processing of these visas is increasing: according to the U.S. Department of State, as part of its efforts to comply with Executive Order 13597 issued on January 19, 2012, "Consular officers at State's ten visa-issuing posts in Mexico issued 837,596 visas and border crossing cards from January through June 2012, an increase of almost 32 percent from the same time period in the previous year."[10]

Progress on U.S.-Mexico Tourism Issues

- Tourism from Mexico to the U.S. on track to increase by over five percent in 2012.
- National Travel and Tourism Strategy emphasizes Mexico's importance.
- Executive Order 13597: Improvements To Visa Processing And Foreign Visitor Processing 180-Day Progress Report: US Embassy and Consulates in Mexico increase number of visas processed by 30%.
- Brand USA to rollout Mexico campaign in June 2013.

[7] U.S. Department of State website, http://travel.state.gov/visa/temp/without/without_1990.html
[8] Embassy of the United States in Canada website, http://canada.usembassy.gov/visas.html.
[9] U.S. Department of State website, http://travel.state.gov/visa/temp/types/types_1266.html.
[10] U.S. Department of State and U.S. Department of Homeland Security, "Executive Order 13597: Improvements to Visa Processing And Foreign Visitor Processing 180-Day Progress Report," http://www.whitehouse.gov/sites/default/files/docs/eo_13597_180_day_report_final.pdf.

U.S.-Mexico Land Ports of Entry: Membranes that Allow Trade and Tourism to Happen

Figure 9: U.S. Land Ports of Entry with Mexico

California	Arizona	New Mexico	Texas	
San Ysidro	Lukeville	Antelope Wells	Paso Del Norte	Juarez-Lincoln
Otay Mesa Psgr.	Douglas	Columbus	Stanton Street	Falcon Dam
Otay Mesa Comm.	Naco	Santa Teresa	Bridge of the Amer.	Roma
Tecate	San Luis		Ysleta	Rio Grande City
Calexico West	San Luis II		Fabens*	Los Ebanos*
Calexico East	Sasabe		Fort Hancock	Anzalduas
Andrade	Nogales - Mariposa		Presidio	Hidalgo
	Nogales - DeConcini		Amistad Dam	Pharr
	Nogales - Morely Gate		Del Rio	Donna
			Eagle Pass	Progreso
			Eagles Pass II	Los Indios
			Laredo-Columbia S.	Brownsville - B&M*
			Laredo-World Trade	Brownsville - Gateway
			Laredo - Convent Ave.	Brownsville - Veterans
Entry points: **7**	Entry points: **9**	Entry points: **3**		**Entry points: 28**
Passenger lanes: 63	Passenger lanes: 39	Passenger lanes: 5		**Passenger lanes: 144**
Commercial lanes: 16	Commercial lanes: 14	Commercial lanes: 2		**Commercial lanes: 61**
Pedestrian lanes: 37	Pedestrian lanes: 14	Pedestrian lanes:		**Pedestrian lanes: 54**

Sources: Texas Transportation Institute, *Border-Wide Assessment of Intelligent Transportation System (ITS) Technology—Current and Future Concepts. Final Report*, *July 2012* and U.S. Customs and Border Protection website.

Finally, another significant constraint to bilateral trade and tourism is the border itself. Our 47 land ports of entry with Mexico that make trade and tourism possible face a number of significant challenges. These include aging and inadequate infrastructure both in the U.S. and Mexico and an often inadequate number of Customs and Border Protection agents that are needed to staff the land ports of entry efficiently and adequately. Together these issues typically result in increased border wait times for commercial, passenger and pedestrian traffic. Northbound, this affects both Mexican tourists and U.S. citizens and legal residents returning from Mexico.

An additional key factor in the overall tourism equation is a sense in Mexico that while the U.S. offers excellent value and numerous high-quality attractions, the U.S. has historically offered anything but a welcoming environment when visitors actually arrive at congested U.S. ports of entry and interact with federal officials there.

While land ports of entry between the two countries were first envisioned to process legitimate border crossings of people, goods and services, security has assumed a more dominant role in recent years, hampering the ability of federal agencies to manage border traffic efficiently. Making matters worse, while total trade between the United States and Mexico has more than quintupled since 1990, there were few advances in border infrastructure from 2000-2010, despite the enormous expansion of the post-NAFTA binational commercial relationship. This has been true for both commercial and passenger traffic. And while new ports of entry in Texas and Arizona have recently been built, the border's infrastructure continues to be outdated and at or beyond capacity.

Some Reasons for Optimism

The shared 2,000-mile border needs to be recognized as both a challenge and an opportunity. In May 2010, the U.S. and Mexico signed the 21st Century Border Management Joint Declaration with a specific focus on trade facilitation at their shared border. Recognizing the importance of fostering commercial relationships, both countries have agreed to coordinate efforts to enhance economic competitiveness by expediting lawful trade. The idea is that development of modern and secure border infrastructure will give an added boost to the region's competitiveness in the world and attract more trade and tourism, which translates into more jobs being sustained and created.

Improved binational coordination has led to the development of regional border infrastructure master planning processes. The basic idea is that the two federal governments are only two of the entire array of key stakeholders in the process of planning infrastructure improvements that include state and local agencies as well as local communities and key private sector groups, among others. While the regional planning process is new, a number of regions have produced detailed border infrastructure master plans (see Figure 10 below).

Figure 10: Laredo-Coahuila/Nuevo Leon/Tamaulipas Border Master Plan

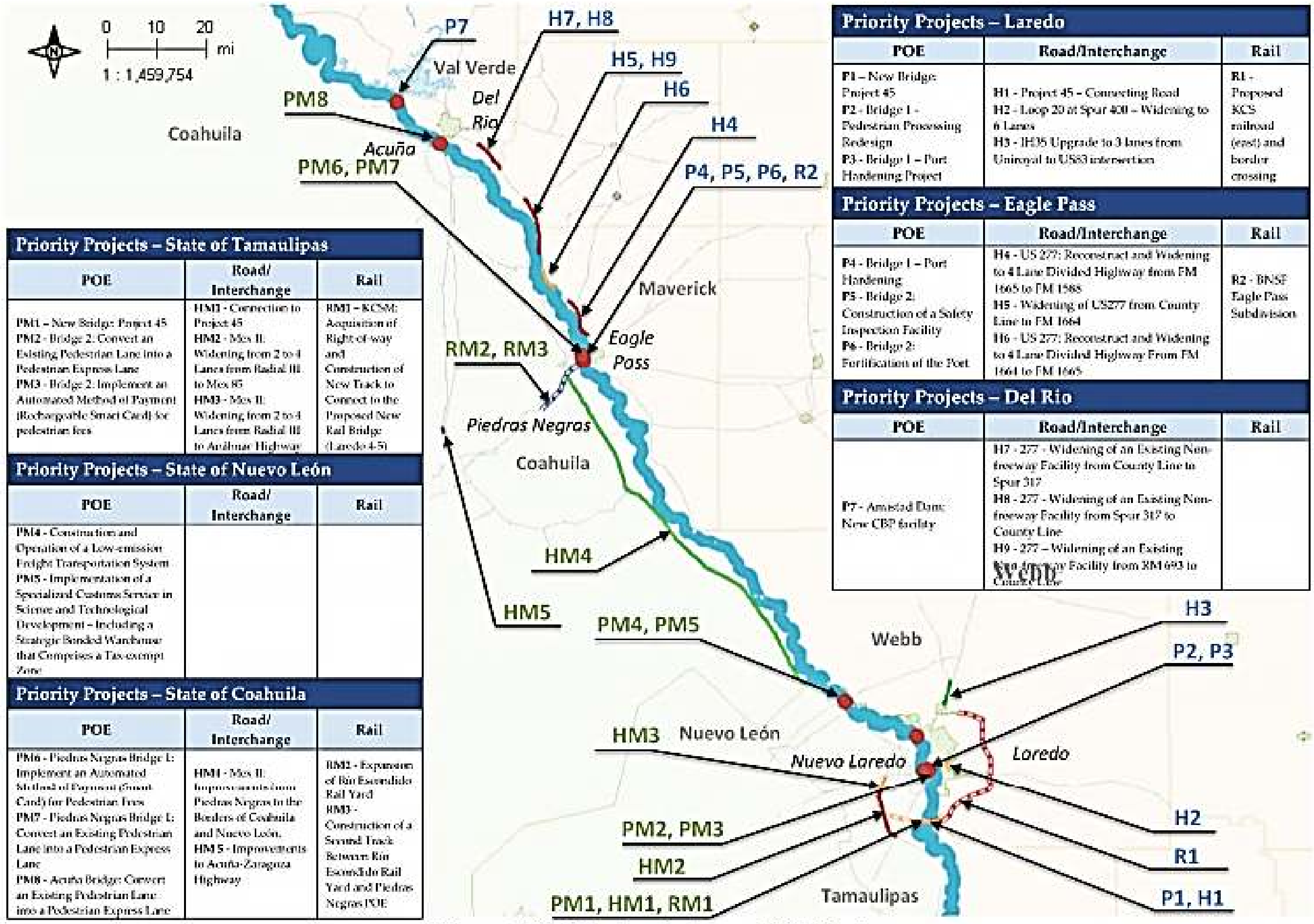


Figure ES2: Priority Projects—U.S.-Mexico

Detailed map of proposed priority border infrastructure upgrades developed by regional border master plan for Laredo and neighboring Mexican states.

Source: Laredo District Coahuila/Nuevo Leon/Tamaulipas Border Master Plan Executive Summary, http://www.borderplanning.fhwa.dot.gov/documents/LaredoBMP_Report_Exec_Sum.pdf

The Final Piece of the Puzzle: Funding

Ports of entry are major infrastructure projects that are expensive to plan, build, staff and maintain. The Congressional process to fund them tends to be slow and driven by a number of difficult to manage political considerations. In addition, once the ports are built, an additional challenge is staffing. Port directors must staff their ports with finite human resources. Indeed, a major complaint of border communities in the post-9/11 era has been what they have perceived to be the haphazard process of lane staffing at ports in an overall context of increased wait times for commercial, passenger and pedestrian lanes.

At the time of this writing, the proposed Border Security, Economic Opportunity, and Immigration Modernization Act of 2013 proposes the addition of 3,500 additional Customs and Border Protection officers to staff the ports of entry. The positions are to be funded by a newly created Comprehensive Immigration Reform Trust Fund. If this proposal survives the Congressional debate over immigration and border security, this would be a major addition to existing staffing. In addition to this debate over immigration reform, S. 178 and H.R. 1108 offer an additional potential tool for the United States in funding upgrades to staffing and infrastructure. The two proposed bills of the same name in both the Senate and House (The Cross Border Trade Enhancement Act of 2013) aim to facilitate enhanced staffing but also infrastructure improvements at ports of entry via alternative financing mechanisms such as public-private partnerships.

We also need to ask if we are fully capitalizing on the funding mechanisms that already exist. One such example is the North American Development Bank, brought into being by the North American Free Trade Agreement. NADBank has played an important role over the past two decades in funding a large number of much-needed border environmental infrastructure projects to improve the environmental health of border communities. The recent completion of the San Luis II Port of Entry for commercial traffic with NADBank funding was done as a step toward alleviating air quality concerns stemming from idling trucks in downtown San Luis Rio Colorado, Mexico. Although there has been some discussion regarding expanding NADBank's role in border infrastructure, this has not yet come to fruition, as recently pointed out in the Pacific Council on International Policy and Mexican Council on Foreign Affairs' "Report Card on the U.S.-Mexico Border."

Key mechanisms and legislation such as the abovementioned examples are necessary in order for the United States to take full advantage of NAFTA's potential as well as the next generation of trade agreements, including the Trans Pacific Partnership and the Transatlantic Trade and Investment Partnership.

Conclusion and Key Recommendations

Strategy v. Tactics, Investment v. Expenditures

The federal government shapes the commercial relationship with Mexico through the work of a number of agencies guided by *formal mechanisms* such as key legislation, agreements, and agency rules as well as by formal and informal *processes* such as technical working groups and regional planning initiatives. Many of these components are new and/or in a state of transition as a result of the United States' dynamic and expanding strategic relationship with Mexico as well as dynamics within Mexico. It will take the efforts of many different parts of the executive and legislative branches to make the U.S.-Mexico commercial relationship function most effectively with as broadly distributed benefits as possible.

While the current discussion over immigration reform is primarily an attempt to make our border with Mexico more secure, it can also serve as an opportunity to leverage the border's already impressive record as a platform for international trade. Commerce is *the* key pillar of the U.S.-Mexico relationship, and the Border Security, Economic Opportunity, and Immigration Modernization Act of 2013 needs to fully make a productive linkage between border security *tactics* and the far more *strategic* economic opportunity that trade and tourism with Mexico represent. And this discussion can link up with other efforts, including the President's FY 2014 budgetary request for additional staffing and technology at the ports of entry, Senate Bill 178 that focuses on alternative public-private financing mechanisms for border infrastructure, and ongoing efforts by the Departments of State and Homeland Security to improve visa processing.

Ports of entry in particular need greater focus in the legislation under discussion and in the work of key agencies. If under the current level of congestion at the U.S.-Mexico border we have managed to surpass a *half trillion* dollars in annual trade with Mexico, the economic impact of a far more efficient border crossing process could be extremely significant (tens of billions of additional dollars of bilateral trade and tourism). And because our shared ports of entry with Mexico are the key formal, physical linkage that allows the large majority of this trade and tourism to happen, we need to do everything in our power to ensure that they are operating at peak efficiency in as safe a manner as possible.

We therefore make the following recommendations to Congress and the executive branch:

1. **Congress needs to include the currently proposed additional 1,600 Customs and Border Protection officers as outlined in the President's Fiscal Year 2014 budget as well as the 3,500 Customs and Border Protection officers to staff the ports of entry in the Border Security, Economic Opportunity, and Immigration Modernization Act of 2013.**
   Border communities have complained for many years about the levels of staffing at the ports of entry, and the additional Customs and Border Protection officers would be a major step toward alleviating chronic congestion at the land ports of entry and boosting trade. The congestion and wait times have a number of cascading effects not the least of which is a major air quality impact for the nearby residents, ports workers, and crossers.

2. **Congress needs to appropriate funding for world-class border infrastructure in order to leverage NAFTA trade for the new generation of trade agreements, including the Trans Pacific Partnership and the Transatlantic Trade and Investment Partnership.**
   While enhanced technology and opti-modal infrastructure to be put into place between the ports of entry are spelled out in the Senate Bill, it would be highly unfortunate if the United States and Mexico did not find themselves ready to take their trade to the next level if the two abovementioned trade agreements come into being. The infrastructure needs to match the aspirations of these potentially landmark agreements and at least some of this investment must come from the federal government directly.

3. **Congress needs to consider Senate Bill 178, the Cross Border Trade Enhancement Act of 2013, which aims to facilitate enhanced staffing but also infrastructure improvements at ports of entry via alternative financing mechanisms such as public-private partnerships.**

   Public-private partnerships can provide an additional tool to help staff and upgrade ports of entry. Senate Bill 178, sponsored by Sen. John Cornyn (R-TX) and its version in the House, H.R. 1108, sponsored by Rep. Henry Cuellar (D-TX-28) are innovative, bipartisan attempts to articulate new needed revenue streams for the ports of entry in fiscally challenged times. The bills propose that the Secretary of Homeland Security be granted the ability to enter into agreements with entities that would reimburse U.S. Customs and Border Protection for staff salaries and services at ports of entry. The proposed legislation is the beginning of a conversation on how these sorts of arrangements might lead to more effective trade facilitation at our border with Mexico at little or neutral cost to taxpayers.

4. **The federal government needs to convene, staff and actively listen to a U.S.-Mexico Economic Advancement Council in addition to the border security councils and task forces proposed in the Senate's immigration bill.**
   The U.S.-Mexico border region presents challenges to effective advocacy on bilateral trade initiatives, including a plethora of city, county, state and regional groups advocating for similar issues in an uncoordinated fashion. The region needs a specialized, high-profile multi-sectorial group to make specific recommendations to the President on U.S.-Mexico trade issues, with a specific focus on job creation. Ideally the Advancement Council would work closely with the High Level Economic Dialogue recently established by President Obama and President Peña Nieto and provide input to this process.

5. **The Executive Steering Committee of the 21st Century Border Management interagency group needs to develop, publish and do outreach on key U.S.-Mexico trade metrics that will make it easier for policymakers and citizens alike to understand what the federal government is doing on trade on the U.S.-Mexico Border.**
   Much of the conversation over comprehensive immigration reform has focused on border security metrics, essentially ignoring the strategic role that crossborder trade with Mexico plays in the economic security of the United States. Ideally this set of metrics would include total goods and services trade with Mexico, detail on U.S. exports to Mexico, and jobs that depend on this trade, among others. It is past time that the enormity of the strategic U.S.-Mexico commercial relationship with Mexico is obscured by more tactical concerns over border security.

6. **The North American Development Bank needs to be utilized to its full potential as a mechanism for enhancing border trade infrastructure.**
   The North American Development Bank has played an important role over the past two decades in funding a large number of much-needed border environmental infrastructure projects to improve the environmental health of border communities. The recent completion of the San Luis II Port of Entry for commercial traffic with NADBank funding can serve as a good border infrastructure funding model going forward. It makes sense to leverage well-developed mechanisms and programs to advance our mutual competitiveness.

Additional recommendations.

The following recommendations were developed by participants at a recent high-level Trilateral Border Symposium co-sponsored by the North American Center for Transborder Studies at Arizona State University, the School of Public Policy at the University of Calgary, the Canadian Defence and Foreign Affairs Institute, the Centre for Military and Strategic Studies at the University of Calgary and the Canada-Arizona Business Council and are highly applicable to the U.S.-Mexico border. It includes a column that identifies the level of the agencies that need to be involved (i.e. most security recommendations are the responsibility of the federal government while competitiveness challenges are best implemented by trans-governmental involvement.).

DOMAIN AND ISSUE	RECOMMENDATION	ACTOR
SECURITY		
Terrorism threat	Truly move security away from the border by finding terrorists where they live and not at the border, a last line of defense.	Federal
External perimeter	Establish a common external security perimeter that includes the whole continent.	Federal
Joint risk assessment and management	Harmonize threat assessment and risk management.	Federal
Border and port technology	Increase automation at border checkpoints.	Federal
Joint operations	Promote joint security operations, such as IBETS, Shiprider and mirrored enforcement.	Federal
Cyber attacks	The three governments should establish clear processes for sharing of information on cyber threats and identify specific targeted entities.	Federal
Intelligence sharing	Share real-time information and intelligence and use compatible information technologies.	Federal
P3R3	Expand joint prevention, planning, preparedness for and response, reaction and recovery from natural and human events.	All levels
C4ISR	Use common frequencies to coordinate communications among law enforcement agencies on both sides of borders.	All levels
COMPETITIVENESS		
Customs Union	Negotiate a common customs union that includes a common external tariff.	Federal
Economic commission	Establish an economic commission to prioritize joint investment in our common future.	Federal
Port infrastructure	Dedicate investment in gateways and corridors and forge a continental plan for multi-modal transportation and infrastructure.	All levels
Stop protectionism	Afford a “Buy North America” provisioning in all levels of government procurement.	All levels

Joint investment	Authorize joint inter-jurisdictional powers that will enable full investment in needed infrastructure.	All levels
Trade in services	Integrate services that we already trade (financial, healthcare, education, tourism, etc.).	All levels
Regulatory cooperation	Create a single North American working group on regulatory issues. Streamline a regulatory cooperation from four tracks to one.	Federal
North America passport	Study creation of a North American passport and expansion of enhanced drivers licenses.	Federal
Increase visas	Increase number and length of visas. Expand professional categories and skills included in NAFTA visas and extend the visa duration.	Federal
Integrate locally	Allow local integration. States and provinces should be permitted by the federal authorities to negotiate cross-border business.	Local
Cabotage	Permit cabotage on the east and west coasts of North America and the Great Lakes by bona fide North American shipping firms.	Federal
Labor mobility	Adapt immigration policies to a wider labor market.	Federal
Trust	Make anti-trust policies continental.	Federal
Invest in innovation	Adopt a North American Innovation strategy.	All levels