

# Realizing the Economic Strength of Our 21st Century Border

## Trade, Education and Jobs



Report on the Inaugural Conference • January 2013

**ASU** North American Center  
for Transborder Studies

ARIZONA STATE UNIVERSITY

*An international policy center of the College of Liberal Arts and Sciences*



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**TRADE**  
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# Table of Contents

<b>Executive Summary</b>	<b>5</b>
<b>Summary of Panel Suggestions and Best Practices</b>	<b>8</b>
<b>Opening Keynote</b>	<b>10</b>
<b>Business Executive Leaders Panel</b>	<b>11</b>
<b>Industry Sector Breakout Panels</b>	<b>12</b>
<b>Congressional Keynote Luncheon</b>	<b>16</b>
<b>Policy Breakout Panels</b>	<b>18</b>
<b>Crossborder Business Workshop: Best Practices</b>	<b>22</b>
<b>Roundtable Discussion: 21st Century Border Management Initiative</b>	<b>24</b>
<b>Official Dinner</b>	<b>26</b>
<b>Mayoral Panel</b>	<b>28</b>
<b>Press Panel</b>	<b>30</b>
<b>Keynote Luncheon: Trade and Mexico's Near Future</b>	<b>31</b>
<b>Selected Media Coverage</b>	<b>32</b>
<b>Next Steps</b>	<b>36</b>



“Mexico is a powerful economic ally,  
yet we are purposefully ignorant,  
and we must defeat that.”

Arizona State University President Dr. Michael Crow  
September 24, 2012

# Executive Summary

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## An Essential “Realization” Whose Time Has Arrived

The North American Center for Transborder Studies (NACTS) at Arizona State University, in partnership with the United States Department of Commerce, held the inaugural conference “Realizing the Economic Strength of Our 21st Century Border: Trade, Education and Jobs” on September 23-25, 2012 at the Fiesta Resort Conference Center in Tempe, Arizona. Throughout three days of discussion panels, private and public sector leaders from the United States and Mexico met to discuss current issues regarding the almost 2,000-mile-long border that unites both countries.

Guest speakers such as Rep. Henry Cuellar, 28th District of Texas; Mayor Greg Stanton, City of Phoenix; Rep. Raúl Grijalva, 7th District of Arizona; and Gov. Susana Martínez, New Mexico highlighted the importance of the U.S. relationship with Mexico and called for cooperation from both countries to improve the border region and focus on the important issues of trade, education and jobs. “We need to stop living in the past. It’s time to recognize the robust economy, energy, drive and creativity in Mexico. Ignorance never wins,” stated ASU President Michael Crow at the conference’s opening keynote address.

Conference attendees agreed to “counter impressions with data” or, as Rep. Henry Cuellar urged at the outset of the conference, to “change the story” in order to promote the border’s true potential throughout both countries. “Mexico is the third-ranked commercial partner of the United States and the second largest market for U.S. exports. Mexico spent more than \$198 billion on U.S. goods in 2011, and trade with Mexico sustains six million jobs in the United States” pointed out Rick Van Schoik, Director of the North American Center for Transborder Studies.

“The mutual benefits of harnessing the private sector’s capacity and applying it to the challenge of facilitating trade will be carried to Congress by an information effort of the U.S. Department of Commerce and other federal agencies,” expressed Van Schoik while referring to the conference’s efforts to spark a conversation at a local level and having its message of “border-region improvement” communicated throughout Washington, D.C.

However, challenges remain, particularly at our extremely congested borders. Those delays, which are partly a consequence of a desire to thwart another major terrorist attack on the United States, have consequences that are not well understood by many. “The impact of this bilateral relationship extends well beyond the border and into the heartland—into communities and businesses—in both countries,” emphasized Michael Camuñez, Assistant Secretary of Commerce for Market Access and Compliance in his opening address.

As many participants noted, there are a number of challenges that can and need to be solved during these challenging economic times. As NACTS, the U.S. Department of Commerce and numerous other partners working on similar issues move forward, the following top-level findings from the conference should be kept in mind as the conference’s principal takeaways:



## Principal Conference Takeaways

### **1. We cannot afford to continue to be ignorant about our important commercial relationship with Mexico.**

One of the most profound takeaways is that, as ASU President Michael Crow insisted upon, we remain “purposefully ignorant” about the enormously important commercial relationship the United States enjoys with Mexico. This ignorance is a critical weakness that prevents us from gaining even greater economic benefits from this relationship. With unemployment still at unacceptably high levels and the global economy experiencing ever-changing balances of power, we need to focus on what works.

### **2. U.S. global competitiveness depends on a strong Mexico.**

The intense and highly collaborative nature of our bilateral commerce, including our highly integrated supply chains and joint production, means that what is good for Mexico is in large part good for the United States.

### **3. There is remarkable multi-partisan support for increasing bilateral trade.**

Representatives from across the political spectrum in both nations insisted on the importance of binational trade, demonstrating that the possibility for agreement and moving forward on key issues related to trade already exists.

### **4. We have congested ports of entry that need major attention.**

With waits for both commercial and passenger vehicles often reaching multiple hours, congested border crossings are a key impediment to trade and raise the cost of North American supply chains, which are critical for the competitiveness of U.S. and Mexican firms.

### **5. Local communities have a very important role in international trade (and some power as well).**

International relations can often seem quite distant from the concerns and input of everyday people particularly people living in the U.S.-Mexico border region. Recognizing the often extraordinary leadership that local elected border officials exercise in what are essentially complex international/crossborder affairs, mayors in the border region tend to stand out for their strong efforts and perspectives. These efforts can and do have a positive impact on bilateral relations.

### **6. You have to invest (in infrastructure) in order to profit from trade...and there are a number of investment options.**

In an era of acute fiscal constraints, there is an emerging consensus on the importance of public-private partnerships as a way of identifying and tapping revenue streams available to finance and operate new modern ports of entry.

## U.S.-Mexico Bilateral Trade in Goods and Services, 1993-2011



Source: U.S. Department of Commerce, Bureau of Economic Analysis and Census Bureau. In Lee, Erik and Christopher Wilson, "The State of Trade, Competitiveness and Economic Well-being in the U.S.-Mexico Border Region." Working paper of the Border Research Partnership. [http://nacts.asu.edu/sites/default/files/State\\_of\\_Border\\_Trade\\_Economy\\_0.pdf](http://nacts.asu.edu/sites/default/files/State_of_Border_Trade_Economy_0.pdf)

# Summary of Panel Suggestions a

## CEO Roundtable and Value Chain Solutions Education and Investment

- Create a training institute for Mexican employees through a partnership with Mexico's universities.
- Companies with operations in Mexico should partner with local academic institutions in Mexico, which produce well-trained workforce employees.
- Greater focus should be placed on personnel and technology rather than border infrastructure in order to facilitate cross-border trade.
- Greater economic success in the border region should be predicated on the build-up of local business clusters, similar to existing regional clusters in the fields of medical electronics, solar technology, and automotive goods.

## Industry Breakout Sessions

### Aerospace

- Greater cross-regional coordination on research and development is needed between U.S. and Mexico's private sectors and academia.
- Improve labor force training on both sides of the border.
- Recommend U.S. and Mexican universities encourage students to pursue degrees in high-demand professions such as engineering and advanced welding.
- Build more apprenticeship programs across the region.
- Improve coordination with universities and among institutions providing financing options for smaller businesses.

### Energy and Green Technologies

- Public-private partnerships (P3s) are the key to development of the energy sector in both countries, especially for financing infrastructure energy projects far from major population centers.
- Reduce regulatory delays that accompany the development of new energy infrastructure.
- Consider the use of U.S. interstate compacts as a model for cross-border U.S.-Mexico energy trade.
- Promote clustering or agglomeration in the energy industry to benefit both countries and consumers.

## Attracting Foreign Direct Investment

- Government involvement is critical to helping investors navigate through a country's legal system.
- States can self-promote themselves as access points into the United States market, but also into the NAFTA region as a whole.
- Promote pilot investment attraction activities pairing small towns with mega-cities within the same state.
- Create state-wide FDI organizations.
- Use "mega regions" (e.g. San Diego/Imperial County/ Baja California) to attract investment through collaboration.

## Enhancing U.S.-Mexico Tourism

- Promote the Global Entry program which expedites entry for trusted travelers.
- Implement educational exchange programs such as the "100,000 Strong in the Americas" Initiative.
- Increase the number of Mexican and Central American students studying in the United States.
- Actionize recommendations from NACTS tourism report.

## Workforce Needs and Education

- Stress the importance of bilateral exchange programs for cultural awareness and competitiveness.
- Relax visas requirements for exchange students and work visas.
- Advocate for giving green cards to foreign-born students earning advanced degrees in science, technology, engineering and math (STEM) fields.
- Allow exchange students to seek off-campus internships with local businesses.
- Foster an open and continuous dialogue between academia and the private sector on job needs and skill gaps to avoid the disconnect between training programs and labor force needs.
- Encourage bilateral education and training.
- Institute an Erasmus-type program (exchange student program within the European Union) for U.S. students to study in Latin America, especially those located in the border region.

# and Best Practices

## Cross-Border Economic Development

- Unify border priorities and speak with a unified regional voice from the border community.
- Undertake necessary infrastructure improvements, further streamline permitting procedures, and explore binational public-private partnerships to foster economic development.
- Leverage industry's interest and trend toward re-shoring or near-shoring in the region.

## Public-Private Partnerships

- Promote P3s to government as procurement tools instead of panacea solutions.
- Leverage the size and growth potential of Mexico's economy to incentivize the creation of P3s.
- P3s can serve as a funding solution for the remaining phases of San Ysidro and other border crossings projects that have no set formulas for funding staffing or infrastructure.
- Develop a vehicle that simultaneously finances and implements projects in both nations.
- Implement user fees or tolls to improve the current infrastructure deficits along the border.
- Improve rail infrastructure to boost commerce, improve security, and ease traffic congestion.
- Ensure a clear scope of work and coordination of projects along the border to improve infrastructure and staffing demands.

## 21st Century Border Management Initiative

- Augment the number of trusted trader and traveler programs, such as SENTRI and Ready Lanes.
- Increase funding for CBP staffing at ports of entry.
- Upgrade necessary border port-of-entry infrastructure.
- Continue ongoing regional border master planning processes.
- Continue to engage key border stakeholders and encourage them to promote one, cohesive voice to the U.S. and Mexican federal governments.
- Educate U.S. and Mexican officials and the general populace on the importance of bilateral trade to garner support and quickly mitigate problems.
- Coordinate the timing of bilateral infrastructure projects, which are the foundation of future eco-

conomic progress and the realization of trade gains.

- Develop a platform for the private sector to voice its priorities to the U.S. and Mexican federal governments.

## Perspectives from Elected Officials

- Develop consensus on how to pay for actions that would promote the border as driver for economic growth.
- In Arizona, elevate the importance of border trade, highlighting that trans-border initiatives are key factors for economic growth in both countries.
- Continue existing border dialogues through inter-parliamentary meetings and organizations such as the U.S.-Mexico Border Mayors Coalition.
- Utilize and leverage the work of educational institutions in the trade discussion to inform Washington and Mexico City on border issues.
- Build a broad coalition for how to attract greater investment in the border region.
- Encourage border-states handle their own border issues rather than waiting for the federal governments to handle them.
- Develop a new model for how to build and staff the ports of entry.
- Work with neighboring states across the border to find common ground on trade, border security, investment strategies and tourism.
- Change public perception of life on the U.S.-Mexico border in order to show the range of activities that make lives better and safer for all.
- Emphasize that the quality of your business relationships can and will have a direct outcome on the quantity of your economic benefits from that relationship.
- Inform border communities of the opportunities associated with the relocation of U.S. companies manufacturing operations from Asia to Mexico.
- Develop a comprehensive immigration reform that includes a guest worker program to control the natural flow of crossborder commerce.
- Drive policies that develop a fluid border with reduced wait times for tourists and commercial entities.
- Secure the management of North America's perimeter, including Mexico's southern border with Central America.

# Beyond the Border and into the Heartland



ASU President Michael Crow.

ASU President Michael Crow and Assistant Secretary for Commerce Michal Camuñez led off the conference with a keynote address that emphasized the importance of understanding the underlying reality of our economic interdependence with Mexico despite the relationship's complex nature.

"Looking just at labor, we must have the most broken relationship relative to the free flow of labor that actually could exist anywhere between two G20 countries," Crow said.

He continued to emphasize that "Mexico has an economy the size of Russia and more economic potential than China. Yet we have decided to pretend we don't have a G20 neighbor. Mexico is a powerful economic ally, yet we are purposefully ignorant and we must defeat that."

Assistant Secretary of Commerce Michael Camuñez echoed these comments of the importance of the bilateral relationship. "Today's conference marks the culmination of a vision we've had for some time," said Camuñez. "Two years ago, when President Obama launched the National Export Initiative, we knew that deepening our economic ties with Mexico would be central to achieving our goal to re-energize American exports as a key element of our economic recovery. "



Assistant Secretary of Commerce Michael Camuñez.

"...The impact of this bilateral relationship extends well beyond the border and into the heartland—into communities and businesses—in both countries.... Companies around the country depend on and utilize border infrastructure and, as a result, have a vested interest in what happens here..."

Assistant Secretary of Commerce  
Michael Camuñez

A major challenge in expanding the positive impact of this massive commercial relationship has to do with portrayal and perception, as Camuñez emphasized. "We knew that the reality of the border economy—and the vibrant, diverse and talented communities who live here—were being drowned out in the torrent of negative media coverage that obscured a very important truth: that the border is a source of enormous strength for both countries, and is a place that merits investment, support and serious attention in Washington."

# Trade Facilitation and Value Chain Solutions for Crossborder Trade



David Hester, President of Kyocera Mexicana who discusses crossborder trade solutions is pictured with Ronald Scruggs, President, Triumph Group Mexico.

The private sector is perhaps in the best position to describe the challenges and opportunities of crossborder trade. With this in mind, Institute of the Americas President Ambassador Charles Shapiro led off a substantive discussion with two private sector leaders regarding their operations in Mexico.

Ronald Scruggs, President of Triumph Group Mexico, an aerospace manufacturer based in Zacatecas, began his remarks emphasizing that investing in Mexico fulfills the need to supplement the workforce in the United States., not replace it.

Scruggs underscored the importance of education in Triumph's Mexico investment plan, and noted that the company had started a training institute for its Mexican employees. It joined forces with a local university, Universidad Tecnológica del Estado de Zacatecas, to form the institute.

David Hester is CEO of Kyocera Mexicana, which is based in Tijuana. The plant, which was established in 1989, works closely with Kyocera operations in the San Diego location and has over 100 employees.

The Tijuana plant manufactures electronics, solar components, and industrial ceramics.

As for the specifics of manufacturing in Mexico, Hester mentioned that security in Mexico is important, but not a threat. The plant is secured as a precaution and has a constant electrical supply as well as a water treatment plant. He recommends partnering with local high schools, tech colleges and universities in Mexico, which have a well-trained workforce.

Regarding border crossings, compliance issues are more significant challenges than security. Hester emphasized that border personnel and technology were higher priorities than infrastructure.

Hester concluded his presentation by contending that the successful future of the border region will be supported through the build-up of local business clusters. He noted that the region already supports such clusters in the fields of medical electronics, solar technology, and automotive goods.

## Industry Breakout Sessions

# Exploring Aerospace Opportunities



Marcelo Funes-Gallanzi, Director of AVNTK sharing ideas on aerospace cross-regional coordination.

The aerospace industry in Mexico exported a total of \$3.5 billion in 2010. This impressive number is the result of a particular focus by Mexico's federal government over the last 10 years to promote the development of a domestic aerospace industry.

Mexico's aerospace industry has a presence in sixteen Mexican states yet is concentrated in five major clusters, four of which are located in the border states of Sonora, Baja California, Chihuahua and Nuevo León. Today, the aerospace industry employs nearly 29,000 workers in Mexico, and this growth trend is expected to continue throughout this decade.

The aerospace industry breakout panel brought together key industry leaders from both the United States and Mexico, including Marcelo Funes-Gallanzi from AVNTK, Stephan Hollman, President of Pacific Aviation and Lease Management, as well as Nicolas Rhoads with AeroMéxico and Scott Miller from Wichita State University as the moderator.

Rhoads discussed the progress made in the aviation sector in Mexico, which has a value of \$9.6 billion; furthermore, he also discussed the seven percent annual growth in demand for flights be-

tween the U.S. and Mexico, representing 19 million passengers per year for AeroMéxico.

Funes-Gallanzi suggested that greater cross-regional coordination on research and development is needed between United States and Mexico's private sectors and academia. He added that Mexico is already making notable advances in maintenance, assembly and recycling of aviation parts, and production of some aerospace materials. Funes-Gallanzi also discussed opportunities that exist in Mexico for smaller aviation companies looking to expand their business, given the relatively low number of suppliers in the domestic Mexican market.

Stephan Hollman pushed for better labor force training on both sides of the border and noted that universities could do more to encourage students to pursue degrees in high-demand professions such as engineering and advanced welding and noted the need for more apprenticeship programs across the region.

In terms of the industry's main challenges, the panel mentioned coordination between both countries and its stakeholders, coordination with universities and financing options for smaller businesses.

# Energy and Green Technologies



Pictured from left to right: Christopher Gonzales, General Electric; Crady deGolian with the Council of State Governments; Erika Benson with Gardere Wynne Sewell and Enrique Marroquin, Hunt Power.

The United States and Mexico trade more than just manufactured goods and services; they also trade and share energy across the border. Safe and secure sources of various energy types should be (and often are) one of the key discussion topics of every binational meeting between our two nations. Under this premise, NACTS and the U.S. Department of Commerce convened experts on this issue to share the latest trends on energy development in our energy rich neighborhood that we call North America.

The Energy and Green Technologies panel was moderated by NACTS Director Rick Van Schoik. Joining him on the panel were Enrique Marroquin, Hunt Power; Christopher Gonzales with General Electric; Crady deGolian with the Council of State Governments and Erika Benson with Gardere Wynne Sewell. The panel shared best practices on energy, water, and sustainable infrastructure efficiencies.

The panelists advocated for public-private partnerships (P3) as key in the development of the energy sector in both countries. This key rule is especially true in cases where P3s help finance the required

infrastructure for energy sources that are far from major population concentrations.

The panel mentioned that while China is building many coal-fired power plants, it is also heavily investing in rapid renewable energy development through advanced manufacturing techniques. Conversely, North America often experiences regulatory delays in building new energy infrastructure.

The panelists also discussed the importance of energy trade and development zones as well as education initiatives for both the public and policymakers. Furthermore, they suggested that U.S. interstate compacts can possibly be used as a model for crossborder U.S.-Mexico energy trade.

Joint job creation between countries could be possible through new clean energy technology creation and energy production. Additionally, clustering or agglomeration effects can occur on the border that benefit both countries and energy consumers, panelists pointed out.

# Attracting Foreign Direct Investment



Pictured from left to right: Patrick Kilbride, U.S. Chamber of Commerce; Mario Juárez with ProMéxico; Steve Olson, Select USA; Michael Treyger with the Office of the Governor of Texas; Eugenio Lagarde with the Industrial Development Commission of Mexicali, and Luis Ricardo Rodríguez with KPMG.

Foreign Direct Investment (FDI) is a key economic driver of both the U.S. and Mexican economies. While the story usually focuses on U.S. investment in Mexico, Mexican FDI to the United States has seen an overall increase since the enactment of the North American Free Trade Agreement (NAFTA). In the last few years Mexican investment has grown by over 35 percent as Mexico has become the seventh fastest growing investor country in the United States, reaching more than \$13 billion in 2011.

A panel discussion on the topic was moderated by Patrick Kilbride of the U.S. Chamber of Commerce. He was joined by Steve Olson from Select USA, Mario Juárez with ProMéxico, Michael Treyger with the Office of the Governor of Texas, Eugenio Lagarde with the Industrial Development Commission of Mexicali, and Luis Ricardo Rodríguez with KPMG.

Steve Olson mentioned that Mexican firms in the United States employ about 55,000 U.S. workers. Mario Juárez contended that government involvement in helping investors navigate through legal systems is key and noted that ProMexico works closely with businesses wanting to invest in Mexico. Juárez listed pertinent facts and figures related to the U.S.-Mexico trade and investment relationship, including the fact that \$26 billion worth of goods and services flow through the Arizona-Mexico border each year and that Mexico will most likely be the world's seventh

largest economy by 2020, and possibly the fifth-ranked economy by 2050.

Michael Treyger stated that Texas does not just sell itself as an access point into the United States, but also as an access point to the NAFTA area as a whole. He stated that Texas has been at the forefront of FDI attraction, and has started some novel projects, including a pilot program that pairs small Texas towns with mega-cities like Houston in their investment promotion activities. He also mentioned the creation of a state-wide FDI organization called "Texas I."

Similar to Treyger, Eugenio Lagarde stressed the importance of seeing the border region as a market itself. He described how his organization has concentrated on attracting specific sectors to Baja California, including aerospace and medical devices. Lagarde also noted the importance of "mega regions" (e.g., San Diego/Imperial Valley/Baja California) working together to attract investment.

Luis Ricardo Rodríguez focused on the importance of organizations such as his own in promoting FDI by studying topics such as the maquiladora system in Mexico and similar systems in Asia, as well as through analyzing the necessary conditions in Mexico for particular industries.

# Enhancing U.S.-Mexico Tourism



SeaWorld San Diego President John Reilly (far right) speaks as tourism panelists listen. From left to right: Steve Moore, CEO Greater Phoenix Convention and Visitors Bureau; Laura Dogu, Deputy Chief of Mission, U.S. Embassy Mexico; Erik Lee, Associate Director, NACTS; Simon Rosenberg, President, New Policy Institute; Undersecretary for Tourism Luis Alfonso Lugo.

International tourism is a key economic driver of the global economy, and the United States and Mexico are no different. U.S. tourists are by far the largest foreign market for Mexico, and Mexican tourists to the United States rank second behind Canadian tourists (and fourth in spending behind Canadian, British and Japanese tourists).

To lead off the panel, Deputy Chief of Mission for U.S. Embassy Mexico Laura Dogu pointed out that more than 13 million visitors from Mexico to the United States spend \$9 billion on an annual basis, helping sustain an industry that provides 1.2 million jobs in the United States. The number of visa applications, interviews and tourist visas granted in Mexico are increasing; visa processing in Mexico has increased 35% in the past year. Dogu also mentioned that the United States is promoting the Global Entry Program, which facilitates faster entry into the country for trusted travelers. In addition, the federal government launched the “100,000 Strong in the Americas” initiative which promotes educational exchanges.

Undersecretary for Tourism Luis Alfonso Lugo mentioned that 57 million people visited Mexico in 2011, 80% of which were day visitors. He mentioned that U.S. tourists represent 70% of all foreign visitors to Mexico and that Mexico is a

popular destination for U.S. film production companies.

Steve Moore of the Greater Phoenix Convention and Visitors Bureau emphasized the mutually beneficial nature of tourism between the two countries: “Mexico-U.S. tourism is a two-way street.”

John Reilly, President of Sea World San Diego emphasized that the international market (foreign tourists) has double-digit growth potential for theme parks (as compared to the low single digits for the domestic market). He mentioned that focusing on attracting Mexican tourists makes good business sense, for 6.4 million Mexicans visit California annually. As an industry, tourism is unique, noted Reilly, because it “has the possibility to change hearts and minds.”

NACTS Associate Director Erik Lee reviewed his center’s 2012 report, “Realizing the Full Value of Tourism from Mexico to the United States,” he noted that there are significant statistical challenges in even accurately quantifying the size and scope of Mexican tourism to the United States. He also expressed dismay at the low number of Mexican and Central American students studying in the United States (approximately 20,000).

# Congressional Members Share U.S.



Pictured from left to right: Eloy Cantú, Mexican Chamber of Deputies, State of Nuevo León; Raúl M. Grijalva, U.S. House of Representatives, 7th District of Arizona; Michael Camuñez, U.S. Assistant Secretary of Commerce for Market Access & Compliance; Silvestre Reyes, U.S. House of Representatives, 16th District of Texas; and Sethuraman Panchanathan, Senior Vice President of Knowledge Enterprise Development, Arizona State University.

Both the U.S. and Mexican Congresses play a key role in bilateral relations and particularly in trade. The two legislative bodies must propose, deliberate upon and approve (or not approve) funding that directly affects the U.S.-Mexico border region as well as the joint economic security of both nations. In this spirit, NACTS and the U.S. Department of Commerce asked high-profile members of both legislative bodies to join our event to discuss how both national legislature can work on domestic progress as well as collaborate on key issues dealing with trade.

Speaking at the opening reception of the conference, Rep. Henry Cuellar of the 28th District of Texas--who founded the Congressional Free

Trade Caucus--emphasized that although citizens and policymakers alike want action on turning the border into even more of an engine for economic growth, there is no clear consensus for how to pay for this.

At the September 24 keynote luncheon, Sethuraman Panchanathan, Senior Vice President of Knowledge Enterprise Development at Arizona State University, introduced an impressive lineup of key legislators. Congressman Raul Grijalva, who represents Arizona's 7th District, mentioned that transborder initiatives are key factors for economic growth in the Southwestern United States. Specific to Arizona, the state needs to become the

# S. - Mexico Trade Perspectives

“Show Me (Your Money) State” with respect to commerce with Mexico. Border trade needs to be elevated in importance, he added.

Congressman Silvestre Reyes, who represents Texas’ 16th District, emphasized that much has changed in how we interact in border communities. He also noted the work of the inter-parliamentary meetings and organizations such as the U.S.-Mexico Border Mayors Coalition. Finally, he discussed the need to emphasize the importance of the border to members of Congress who are not from the border region but who benefit from the economic activity there.

Congressman Eloy Cantú of Nuevo León issued a call to action. “I don’t want declarations, I want actions,” he insisted. He emphasized the importance of educational institutions within the overall discussion of trade as there is an overall

lack of information in the capital cities on what happens at the border. In addition, Congressman Cantú emphasized the role of Canada in the overall North American trade picture.



Congressman Henry Cuellar (D-TX 28) and NACTS Director Rick Van Schoik. Photo by Tim Trumble

One key strength of the United States and Mexico in the global economy are their extensive educational systems, though whether or not they are up to the challenge of the rapid changes in the global economy is another question entirely.

A high level panel consisting of a number of noted experts in the topic included Rafael Rangel, Special Advisor to ASU's President and Former Tec de Monterrey Rector; Mark Cafferty, President & CEO of the San Diego Regional Economic Development Corporation; Ambassador Charles Shapiro, President of the Institute of the Americas; and moderator Maria Eugenia Calderon-Porter, Executive Director of U.S.-Mexico Relations at Texas A&M International University.

The panelists stressed the importance of bilateral exchange programs. They noted that because of security concerns in Mexico, many U.S. students were looking elsewhere to study abroad. They also noted that students still do not utilize exchanges as a tool for learning about other cultures and languages. One major point driven home by the panelists: to be competitive, students *need* to explore other cultures.

Mexican students are travelling less to the United States because visa procedures have become so burdensome. The United States needs engineers; many companies have advocated for a green card to be attached to a graduate's diploma since there is a human resource gap (in September of this year, ASU President Michael Crow added his name to the signatures of 164 other university presidents and chancellors in a letter urging U.S. President Barack Obama and all members of Congress to provide green cards to foreign-born students who earn advanced degrees in science, technology, engineering and math (STEM) fields. (see [ASU News story at asunews.asu.edu/20120917\\_visa\\_reform](http://asunews.asu.edu/20120917_visa_reform) for additional information).

Some panelists mentioned the benefits of having exchange students doing internships off-campus that benefit local businesses but noted that visa regulations often do not allow this.

The panelists noted that for students to be competitive with current skills it was crucial for academia to be in constant communication with the private sector, a seemingly obvious step that is not always taken. The private sector can provide critical information on job needs and skill gaps. Panelists were honest about the deficiencies of academic study on the issue: often there is a disconnect between what students study and what is really needed in the labor market for the future.

Senior Advisor to ASU President, Dr. Rafael Rangel emphasized that there should be *bilateral* education and training. If Mexico and the United States want to be competitive, Rangel said, they need to focus on the development of human capital.

Mark Cafferty took up this line of thought, saying that "Human capital is so critical to economic growth." Cafferty went on to discuss a skills gap issue in software jobs, which could be solved with more H-1B visas or F-1 visas.

During the discussion, it was noted that for NAFTA, there was no exchange student program created as was the case in the European Union. An Erasmus-type program should be offered to U.S. students studying in Latin America, especially to students living in the border area sharing a similar culture. Approximately only 30% of Mexican exchange students are coming to the United States; the number used to be closer to 80%.

Maria Eugenia Calderon-Porter noted that there is a shortage of technical skills in the United States and that many engineering students in Mexico could potentially fill that gap. However, student visas limit where they can work and what they can do in the United States.

# Development



Maria Eugenia Calderon-Porter, Executive Director of U.S.-Mexico Relations, Texas A&M International University; Rafael Rangel, Senior Advisor to ASU President and former Rector of Tec de Monterrey System; and Mark Cafferty, President & CEO for the San Diego Regional Economic Development Corporation, sharing concepts and ideas on how to improve human capital in the United States and Mexico.



Pictured from left to right: Nelson Balido, President, Border Trade Alliance; Sam Hughes, Assistant Vice President of Business Development, Union Pacific; James Clark, Director General of Mexico Business Center, San Diego Regional Chamber of Commerce; Guillermo Gutiérrez Morquecho, Member of the Mexican Council of the Maquiladora Industry; Jon Barela, Cabinet Secretary, New Mexico Economic Development Department; and David Mayagoitia, President, Tijuana Economic Development Corporation.

Trade is an important tool in policymakers' economic development toolbox. Since the enactment of NAFTA, bilateral trade has grown exponentially, reaching a record high of \$500 billion in 2011. Last year U.S. exports to Mexico increased \$34 billion, representing the largest increase in exports to any market in the world.

David Mayagoitia, with the Tijuana Economic Development Corporation, moderated the panel. Nelson Balido, President of the Border Trade Alliance, stressed the importance of a unified regional voice, infrastructure improvements, streamlined permits and procedures, and binational public-private partnerships to help boost job creation and economic development on both sides of the border.

New Mexico Secretary of Economic Development Jon Barela argued that the Asian high-tech boom is over and that the industry is looking to re-shore

or near-shore this region. Furthermore, he stated that New Mexico does not see Mexico as a competitor, but rather as an economic partner. Sam Hughes, Assistant Vice President of Business Development for Union Pacific, pointed to good transportation infrastructure as a key component of fostering economic growth in the region. He noted that his company views growth in Mexico as critical to creating jobs in both countries.

James Clark, Director General of the Mexico Business Center in San Diego, insisted that the border is a man-made concept that doesn't adhere to common sense or business reality.

# Public-Private Partnerships



Pictured from left to right: Christopher Wilson, Mexico Institute at the Woodrow Wilson International Center for Scholars; Basil Khalil with FedEx; and Hank Marshall, with the Arizona Commerce Authority.

The public-private partnerships policy breakout panel convened Hank Marshall with the Arizona Commerce Authority; Ruben Barrales, with the San Diego Regional Chamber of Commerce; Gerónimo Gutierrez with the North American Development Bank; Basil Khalil with FedEx; David Ebbrecht with Kansas City Southern Railroad and Christopher Wilson with the Mexico Institute at the Woodrow Wilson International Center for Scholars to discuss fostering creative border solutions.

Wilson led off the discussion with remarks on how the significant growth in trade contrasted with overburdened infrastructure and staffing challenges at the ports of entry and how this limits trade flows and thus job creation. When it comes to P3s according to Marshall, they should be seen and utilized as a procurement tool not a solution. Furthermore, he pointed out the fact that the potential for Mexico's economy to become the 7th or 8th largest one in the world should be more than enough incentive for these kind of partnerships to take place.

Ruben Barrales insisted that there were no set formulas for funding staffing or infrastructure projects at the ports of entry currently and that public-private partnerships could serve as a solution to the funding needed to complete the remaining phases of San Ysidro and other border crossings in the region.

Gerónimo Gutierrez called for the development of a vehicle that simultaneously finances and implements projects on both sides of the U.S.-Mexico border. He also suggested the use of user fees or tolls to improve current infrastructure deficits. Basil Khalil talked about the need to improve rail infrastructure to boost commerce and at the same time benefit security and traffic flow along the entire region. David Ebbrecht stressed the importance of having a clear scope of work and project coordination along the border for infrastructure and staffing improvements.

## Crossborder Business Workshop

# Best Practices in Expanding Your Business



ProMéxico Senior Commercial Officer Mario Juárez offers insights on how his organization facilitates investment and business opportunities in Mexico. Listening in are Robert Brenner, Senior Vice President for Avnet Mexico and Felipe García, Senior Vice President of the Metropolitan Tucson Convention and Visitors Bureau.

To address the specific how-to questions of small- and medium-sized business owners and others interested in crossborder business opportunities, the conference organizers (NACTS and the U.S. Department of Commerce) asked the U.S. Commercial Service and ProMéxico to convene a workshop to focus on the critical details of crossborder business.

The panelists discussed opportunities in an integrated market, legal considerations, cultural and regional nuances and export and investment promotion programs. ProMéxico trade commissioner Mario Juárez began by noting that Mexico is projected to be the seventh largest economy in the world by 2020. It is therefore critical for the Government of Mexico to attract investment and to help retain companies. To enter the Mexican market, companies first need to decide if they will proceed as

a stand alone operation, a joint venture, or a strategic alliance.

Felipe García, Senior Vice President of the Metropolitan Tucson Convention and Visitors' Bureau, discussed the "Vamos A Tucson" campaign that his organization operates. The campaign was designed to bring people from Mexico to Tucson for shopping, golf, and to attract business tourism. García noted that 22 million individuals cross the Arizona-Sonora border legally every year.

Robert Brenner, Senior Vice President for Avnet Mexico, spoke about his company, which has \$26 billion in total revenue. Avnet focuses on sales and marketing of industrial electronics. They focus their production on semiconductors, custom cables, and connectors. Avnet recently moved two plants to Mexico.

# Business Beyond *Your* Side of the Border

Geoffrey Bogart, Commercial Officer for the U.S. Commercial Service's San Diego office asked what the hot sectors in Mexico are currently. Randy Avon, CEO of the Asian Pacific Development Corporation, replied that the key sectors in Mexico are renewable energy, water, automobiles, and aerospace. He said that he has 130 million clients in these sectors worldwide. He also mentioned that Sonora and Baja California are ripe with opportunities for companies that focus on manufacturing, assembly, and research and development.

Robert Brenner emphasized the need to go into a country with a partner. He recommended using shelter organizations and local experts in Mexico.

Felipe Garcia emphasized the need to reduce border crossing costs by taking advantage of the the Global Entry program, which expedites crossings at the border for pre-screened travelers.

Geoffrey Bogart shared information about the U.S. Export-Import Bank and pointed to the institution as a resource for U.S. companies. He also mentioned that under the National Export Initiative (NEI), the federal government has increased exports by \$200 billion to Mexico.

Oscar Villareal of Banamex stated that the company has given \$200 million in credit to help finance Mexican purchase of U.S. products. Banamex often finances companies, supported by guarantees from the Export-Import Bank. Randy Avon pointed out the Overseas Private Investment Corporation (OPIC) is also an excellent resource.

Felipe Garcia also recommended the Arizona Commerce Authority's (ACA) STEP program, which, among other services, aids Arizona companies in finding good translation services and ensuring their Spanish platform is professional.

## Tips for expanding your business beyond your border

- **Use professionals.** Talk to professional services, like ProMéxico, and hire the right people to do the job. Pick key staff yourself because they are an extension of your company.
- **Hire professional companies to translate materials.**
- **Regionalism is important.** Hire local experts in the region who understand local language and expressions.
- **Be engaged.** For companies expanding into Mexico, be sure to consult the brochure, "15 Steps to be Mexico-ready."
- **Connect with the Mexican Consulate as a resource.**
- **Follow food protocol.** Do not serve Mexican investors who come to the U.S. Mexican food. They want the U.S. experience.
- **Keep an open mind.** 60,000 companies are doing business in Mexico everyday.
- **Do your homework.**
- **Know your alliance and expand it.** Work with a Mexican Consulate or the U.S. Commercial Service.
- **Remember the Microsoft quote—"Globalize what you can and localize what must."**
- **Get a good banker.**
- **Small business development services can help people prepare to do business across the border.**
- **Don't use e-mail addresses from Gmail, Hotmail, etc. Spend the money to get a company domain.**
- **Use short names in titles and e-mails.** Example: José Mario Juárez López de Nava is shortened to Mario Juárez since it easier to remember and say.
- **Enjoy the adventure!**

## Roundtable Discussion

# 21st Century Border Management



Pictured from left to right; Moderator: Gary Gallegos, Executive Director, San Diego Association of Governments; Michael Camuñez, U.S. Assistant Secretary of Commerce for Market Access & Compliance; Eduardo Baca, Director General for North America, Mexican Secretariat of Foreign Relations; Kevin K. McAleenan, Acting Assistant Commissioner of U.S. Customs and Border Protection, U.S. Department of Homeland Security; Juan Carlos Baker, Director General for Trade Negotiations, Mexican Secretariat of Economy; and Rachel Poynter, U.S.-Mexico Border Coordinator, U.S. Department of State. Photo by Tim Trumble.

The U.S.-Mexico border is an enormous geographic region that requires complex administration along with constant and highly detailed coordination between the two countries and the different agencies involved. The May 2010 Joint Declaration on 21st Century Border Management by President Barack Obama and President Felipe Calderon was a response to changing conditions in U.S.-Mexico border security and economic environment and set forth a structure and process by which the two countries could implement policy in the region.

As this process has matured and become even more critical to the way in which the two coun-

tries interact, NACTS and the U.S. Department of Commerce convened a panel comprised of high-level officials from the U.S. Department of State, the U.S. Department of Commerce, the U.S. Department of Homeland Security, the Mexican Ministry of the Economy and the Mexican Ministry of Foreign Affairs to discuss lessons learned and the way forward.

Kevin McAleenan, Acting Assistant Commissioner for Field Operations of U.S. Customs and Border Protection, emphasized the strong need for more trusted trader and traveler programs. Two such programs—SENTRI and Ready Lanes—have been successful in halving crossing times, McAleenan said. He also said that

17% of vehicles crossing into the United States from Mexico use SENTRI and that wait times at pedestrian crossings had improved by 32%. Finally, McAleenan noted that there exists a need for additional funding for CBP staffing at crossings.

Juan Carlos Baker, Director General for Trade Negotiations at the Mexican Secretariat of Economy, noted the need to upgrade infrastructure and how business leaders should inform U.S. - Mexico border policy.

Rachel Poynter, U.S.-Mexico Border Coordinator at the U.S. Department of State, said that the “the border must be a ‘funnel’ for trade.” She noted the effective, ongoing work on the regional border master plans and provided a progress report of the work currently being performed at the largest land port: San Ysidro, California. She also emphasized that border security and economic development are issues that need to be solved in a joint manner. Key stakeholders need to stay engaged and speak with one voice to the federal governments. Additionally, educating on the U.S.-Mexico border trade’s importance to the populace and officials at large of both countries can help develop fast and efficient resolutions and support. Furthermore, coordinating timing and completion of infrastructure projects are a cornerstone in moving economic progress forward by helping to realize trade gains.

Michael Camuñez, U.S. Assistant Secretary of Commerce for Market Access & Compliance, reminded the audience that Presidents Obama and Calderon, in calling for a 21st Century approach to border management, had called for a change of the border narrative from one that focuses exclusively on ‘security’ to one that better emphasizes ‘economic growth’ and the economic benefits that flow from our cross-border trade. The joint statement implies the creation of a platform for businesses that effectively communicate their priorities to Washington and Mexico City, with the goal of building a new national consensus.

## Joint Statement from President Barack Obama and President Felipe Calderón Issued May 19, 2010

### Key Excerpts

“President Felipe Calderón and President Barack Obama today reaffirmed the strategic partnership between the United States and Mexico and underscored their commitment to improve the lives of all citizens in both our countries, building upon our deep ties, and working with mutual respect and mutual responsibility across a broad arc of issues...”

**“A key component of our global competitiveness is creating a border for the Twenty-First Century.** The Presidents recognize that our border offers singular opportunities for both countries. We must develop it and manage it in a holistic fashion and in ways that facilitate the secure, efficient, and rapid flows of goods and people and reduce the costs of doing business between our two countries. Both the United States and Mexico benefit from expediting legitimate travel through and between our two countries, especially by those who live in the border region...”

“The Presidents agreed that safe, efficient, secure, and compatible transportation is a prerequisite for mutual economic growth. They committed to continuing their countries’ cooperation in system planning, operational coordination, and technical cooperation in key modes of transportation...”

“The Presidents also committed to significantly enhance the economic competitiveness and the economic well-being of both the United States and Mexico through improved regulatory cooperation...”

# Governor Susana Martínez and Mayor J

The official conference dinner offered additional opportunities to hear from key elected officials on the subject of U.S.-Mexico trade as well as a time to honor outstanding crossborder cooperation.

Raul Rodríguez, the Chair of NACTS' Board of Advisors, emceed the dinner program. He highlighted the need for coalition-building to push forward needed change in how we manage and pay for our border with Mexico. "There is a clear consensus of the need to build a broad coalition for how to attract greater investment in the southern border region," and went on to say that "There is a clear need to change the current narrative." The border is "*un lugar de encuentro*," a meeting place. The centerpiece of this bilateral relationship has been NAFTA. Chair Rodríguez paraphrased former President Ronald Reagan regarding the need to see neighbors as neighbors rather than as foreigners.

San Diego Mayor Jerry Sanders noted the need for greater independence for border communities in managing crossborder affairs on a local level. Mayor Sanders reasoned that if the border states could handle their own issues, instead of waiting for the federal governments in Washington, D.C. or Mexico City to handle them, then things would get done more efficiently. Unless we develop a new model on how to build and staff these ports of entry, we will remain behind, Sanders insisted.

New Mexico Governor Susana Martínez noted that in her state, the executive branch needs to work with the legislature to reduce taxes on transportation. As Governor, she wants to realize potential for economic relationships and other opportunities to work across the border, including working with the Governor of Chihuahua, César Duarte. She emphasized that working together, both states can find common ground on trade and border safety as well as investment strategies, and tourism. "Let that be our legacy for the next 100 years," she added. As Governor,

It is time we stopped thinking of our nearest neighbors as foreigners.

Candidate Ronald Reagan,  
November 13, 1979

she noted how important it is to change the public perception of life on the U.S. - Mexico border in order to show the range of activities that improves the quality of life of the border region.

In addition to insights from New Mexico Governor Martinez and San Diego Mayor Sanders, the Border Research Partnership (NACTS, the Woodrow Wilson International Center for Scholars' Mexico Institute and el Colegio de la Frontera Norte) honored outstanding crossborder experiences and organizations. The 2012 winners are:

- Conference of Western Attorneys General: "U.S. and Mexico State Attorney Generals Work Together to Promote Rule the Rule of Law"
- The Kino Border Initiative: "Fostering Binational Solidarity along the U.S. - Mexico Border"
- Mainly Mozart: "The International Language: Mainly Mozart Binacional"
- Integra Foundation: "Providing Healthcare Services to Handicapped Individuals in the El Paso-Ciudad Juárez Area"

In addition, the Border Research Partnership presented a unique Special Recognition to the North American Development Bank ([www.nadb.org](http://www.nadb.org)) for its contribution to building a strong partnership between the United States and Mexico through funding infrastructure projects in the border region since 1994. The Bank's Managing Director Gerónimo Gutiérrez and Deputy Managing Director Alejandro Hinojosa accepted the award on behalf of the institution.

# Berry Sanders Offer Binational Insights



Pictured from left to right; Michael Camuñez, Assistant Secretary of Commerce for Market Access and Compliance; Susana Martinez, Governor of New Mexico; Jerry Sanders, Mayor of San Diego; and Raul Rodríguez, Chair of the Board of Advisors for the North American Center for Transborder Studies at Arizona State University.



NADB Director Gerónimo Gutiérrez and COLEF's Carlos de la Parra.



Former California State Senator, Denise Ducheny and Lauren Niehaus of the Conference of Western Attorneys General.



From left to right: Lucila Murguía Arronte, Juarez Integra Foundation and colleague; Lauren Niehaus of the Conference of Western Attorneys General; Falida Guajardo de Cervantes, Mainly Mozart; Father Sean Carrol, Kino Border Initiative.

# U.S.-Mexico Mayors Discuss the Important



Phoenix Mayor Greg Stanton gives his opening remarks on September 24, 2012.

International relations can often seem quite distant from the concerns and input of everyday people and particularly people living in the U.S.-Mexico border region. Recognizing the often extraordinary leadership that local elected border officials exercise in what are essentially complex international/crossborder affairs, NACTS and the U.S. Department of Commerce made a special effort to reach out to mayors in the border region whose strong efforts and perspectives stand out as unique and noteworthy.

City of Phoenix Mayor Greg Stanton is well aware of the significance of this enormous commercial relationship and has done something about it. Mayor Greg Stanton has actually been to Mexico twice since taking office in January 2012. NACTS Associate Director

The more we can take advantage of our physical proximity to Mexico, the more we can take advantage of our diverse population -- including our largely bilingual Latino population -- the better trade will be with Mexico and the more jobs it will create here.

— Phoenix Mayor Greg Stanton

Erik Lee participated in Mayor Stanton's trip to Hermosillo and Mexico City in August along with Tucson Mayor Jonathan Rothschild and a delegation of over twenty business leaders from the state. The trip focused on outreach to the Mexican business community as well as to federal, state and local officials in Mexico. As a gentleman from one of the Mexican chambers insisted to the group, "Business isn't just about money, it's also about attitude." In the context of a rapidly changing global economy, this means that the *quality* of your relationship can and will have a direct outcome on the *quantity* of your economic benefits from that relationship.

In his opening remarks, Mayor Stanton emphasized the advantages of geographical proximity and ethnic diversity for Arizona. He predicted that

# Importance of Bilateral Trade for Communities



Mesa, Arizona mayor Scott Smith speaks as Nogales, Arizona Mayor Arturo Garino and El Paso, Texas Mayor John Cook listen.

as U.S. companies relocate their manufacturing operations from Asia to Mexico, Arizona's cities could gain corporate headquarters and additional jobs.

El Paso Mayor John Cook looked forward to a time in the future with a very fluid border without a "9/11 mentality," more akin to how the U.S.-Mexico border functioned in the 1970s with what was essentially open and unimpeded crossborder tourism, according to the mayor. He believes the goal should be to take no more than 20 minutes to cross, depending on the business.

Mesa, Arizona Mayor Scott Smith noted that "In the future, the solution is commerce." Mayor Smith also emphasized the need for greater labor mobility: "We need a guest-worker program to control this natural flow."

What stood out from the panel discussion was a strong feeling of frustration from the border mayors who very much want to improve the image of border cities especially in the news media.

# Media discuss challenges with trade



Pictured from left to right: Peter O’Dowd, News Director, Fronteras: The Changing Americas Desk; Stephen Keppel, Director, Economics Content, Univision Network; Don Henninger, Publisher, Phoenix Business Journal; Keith Rosenblum, freelance journalist; Walter Bastian, Deputy Assistant Secretary, Office of the Western Hemisphere, International Trade Administration, U.S. Department of Commerce.

Deputy Assistant Secretary of Commerce Walter Bastian moderated a panel of journalists from both local and national media outlets experienced in trade and border issues. They included Peter O’Dowd, News Director, Fronteras: The Changing Americas Desk; Stephen Keppel, Director, Economics Content, Univision Network; Don Henninger, Publisher, Phoenix Business Journal; and Keith Rosenblum, freelance journalist.

While all were in agreement that the story of the border was dominated by topics such as migration, drugs and cartel violence, they emphasized the importance of trade and commerce as a theme running through many (if not not all) stories about the binational relationship and the border in particular. Making the story about jobs or positive growth must be framed in the reality that those stories can be

*Every story we do is about trade, one way or another.*

*— Peter O’Dowd, News Director, Fronteras: The Changing Americas Desk*

difficult for readers to engage. Even the topic of the conference was challenged as not being sensational enough to make the front or even the last page of the paper or the news hour. “Changing the story,” as Representative Henry Cuellar urged at the outset of the conference, will require those who want coverage about all the good news to make it real and relevant to the average citizen.

# Trade and Mexico's Near Future



Dr. Arnulfo Valdivia Machuca of President-elect Enrique Peña Nieto's Transition Team.

On July 1, 2012, Mexican voters went to the polls and elected Enrique Peña Nieto as that country's new President. President Peña Nieto is former Governor of the State of Mexico, the most populous state in Mexico. He took office on December 1, 2012 and will serve one six-year term in office.

An enormous amount of discussion has centered around the Peña Nieto Administration's approach to security, a topic which has dominated U.S.-Mexico discussions over the last six years. Dr. Arnulfo Valdivia Machuca, former advisor to Governor Peña Nieto in the area of international affairs, accepted an invitation from NACTS to broach not only the future of U.S.-Mexico security cooperation but also how the new Administration will approach trade relations with the United States, Mexico's largest trading partner.

Valdivia emphasized the importance of the relationship to the administration, telling the conference participants that "We have to take care of this relation-

ship and continue to strengthen it," and that Mexico's incoming administration will make sure to work in that respect.

Valdivia emphasized that NAFTA is not exhausted, that it just requires an "upgrade." "NAFTA has been a great vehicle for the relationship," he said. He called for enforcing an even stronger North American partnership that considers the North American labor market as well as the specific concerns of small- and medium-sized enterprises (SMEs).

He also discussed the secure management of North America's perimeter, including Mexico's southern border with Central America.

*Note: Dr. Arnulfo Valdivia Machuca assumed the post of Director of the Institute for Mexicans Abroad (IME) in Mexico's Secretariat of Foreign Affairs in January 2013.*

# Selected Media Coverage

## \$500 billion a year: Realizing the full value of cross-border trade with Mexico

ASU News, September 26, 2012  
[https://asunews.asu.edu/20120925\\_borderconference](https://asunews.asu.edu/20120925_borderconference)

September 26, 2012

More than \$1 billion in goods trade crosses the U.S.-Mexico border each day. In 2011 U.S.-Mexico good and service trade reached a major milestone of \$500 billion with virtually no recognition.

While media coverage and political conversation about the border, of late, has focused almost exclusively on illegal immigration and drug trade, the great success story of commerce between the United States and Mexico is being overshadowed.

It is time to change the narrative.

That was the message delivered by many at the conference, “Realizing the Economic Strength of Our 21st Century Border: Trade, Education and Jobs,” in Tempe, Ariz., this week. The conference brought together some 250 business leaders, policymakers and educators from both sides of the U.S.-Mexico border to discuss how to strengthen the economic relationship between both countries.

It was sponsored by ASU’s North American Center for Transborder Studies (NACTS) and the U.S. Department of Commerce.

Speakers included several members of Congress and other leaders from both the public and private sector, who all agreed that the economic potential of the U.S.-Mexico partnership has not been fully realized and is poised for even greater growth and success.

“Mexico has an economy the size of Russia and more economic potential than China,” said ASU President Michael Crow. “Yet we have decided to pretend we don’t have a G20 neighbor. Mexico is a powerful economic ally, yet we are purposefully ignorant and we must defeat that.”

The economic value of the U.S.-Mexico partnership for many in the U.S. remains “hidden in plain sight.”

For example:

- U.S. sales to Mexico are larger than all U.S. exports to China, India, Russia and Brazil, combined, as well as all combined sales to Great Britain, France, Belgium and the Netherlands.
- Mexico is the second-largest export market for the U.S. (Canada is first), and the U.S. is the largest global export market for Mexican exports.
- Approximately 6 million U.S. jobs depend on trade with Mexico.
- Mexico’s \$349 billion in 2011 exports to the world, on average, contained 37 percent U.S. inputs.
- For every dollar Mexico makes from exporting to the U.S., it will in turn spend 50 cents on U.S. products and services.
- Twenty-two U.S. states count Mexico as their No. 1 or No. 2 export market – states as close to the border as Arizona, California and Texas and as far away as from the border as New Hampshire, Michigan and Ohio.
- Closer to home, the economic impact on Arizona is huge. \$11.9 billion in revenue and 111,216 jobs in Arizona rely on trade with Mexico. In addition, Mexican tourists comprise 70 percent of international overnight visitors.

Michael Camuñez, U.S. Assistant Secretary of Commerce, said that as a competitive region the United States, Mexico and Canada are competing against the rest of the world. The countries need to leverage their power, advantage and close proximity.

Camuñez said that for trade to reach its full potential, infrastructure improvements are dire at the U.S. Mexico border, a sentiment echoed by several CEOs of U.S. corporations.

Many ports of entry were built decades ago, before NAFTA and explosive population growth on both sides of the U.S.-Mexico border. While land ports of entry



U.S. Assistant Secretary of Commerce Michael Camuñez (right) meets with Congressman Henry Cuellar, U.S. House of Representatives. Photo by: Tim Trumble

between the two nations were first envisioned to process the legitimate crossing of people, goods and services across the border, security has taken an overwhelmingly dominant role since 9/11, hampering the ability of agencies to efficiently manage border traffic.

Delays at the border, said Ronald Scruggs, president of Triumph Group Mexico, are one of the biggest challenges for corporations and a major drag on competitiveness.

Rick Van Schoik, Director of NACTS, repeatedly emphasized the importance of public-private partnerships, which feature “the mutual benefits of harnessing the private sector’s financial and logistical capacity and applying it to the challenge of facilitating trade.”

Erik Lee, Associate Director of NACTS, said they hosted the event to bring people together from across the political and economic spectrum from both sides of the border to discuss successes and form solutions so that cross border trade can be fully realized.

“Mexico is an economic powerhouse, currently growing more than twice as fast as we are,” said Lee.

“Mexicans are in an even better position to buy U.S. products. What is good for Mexico’s economy is, in the big picture, good for job creation in the United States.”

Lee said the United States and Mexico are at a critical political and economic crossroads. With economic powerhouse China moving full steam ahead, it is more important than ever for the U.S., Mexico and Canada to join economic forces.

## Lee: Arizona must step up its trade with Mexico

By Erik Lee

*The Arizona Republic*, September 22, 2012

Opinions

Despite the impressive expansion of China's economy over the past decade, for the foreseeable future, our nation's top two export markets will be Canada and Mexico, respectively.

Yes, Mexico.

It is our nation's Number 2 export market. This is despite a truly dire security situation in specific areas of that country and the fact that thousands of Mexicans continue to immigrate to the U.S. every year, although now in much smaller numbers.

Our neighbor to the south is an economic powerhouse, currently growing more than twice as fast as we are. It is now in an even better position to buy products that are "Made in the U.S.A.," which in turn means that what's good for Mexico's economy is, in the big picture, good for job creation in the United States. This positive economic news about our neighbor is largely counterintuitive for most Americans and an interesting realization.

In the spirit of discovering even more of this economic value that is "hidden in plain sight," the North American Center for Transborder Studies at Arizona State University will host "Realizing the Economic Strength of our 21st Century Border," a major conference Sunday through Tuesday in Tempe.

Numerous panels will discuss key industries -- aerospace, renewable energy and tourism, among others. We'll have a workshop with practical advice for businesses interested in expanding their exports. Participants from across the political and economic spectrum and from both sides of the border will join us.

Why host this event now? For a variety of reasons, the United States and Mexico are at a critical political and economic crossroads. Both nations have presidential elections this year, two-way trade reached a record \$500 billion in 2011 and negotia-

tions for the Trans-Pacific Partnership are in full swing. The partnership is a multinational economic counterweight to China that includes or will include the U.S., Mexico, Canada, Australia, Vietnam and New Zealand, among other countries.

Trade is simultaneously one of the most abstract and highly detailed areas of public policy. This is a terrible combination for policymakers, who almost universally are utterly at a loss to explain the value of trade to skeptical and beleaguered publics who are accustomed to understanding the global economy as a zero sum game. If we're buying tons of stuff from you then you can't possibly be buying tons of stuff from us.

But the truth is that trade brings complex benefits, trade-offs and drawbacks. We must be as educated as we can be so that we can stay in front of these global trends.

So what does this mean for Arizona? As The Republic has pointed out, the Grand Canyon State is out-competed by California, Michigan and most of all, Texas in bilateral trade and has challenges with messaging on trade and relations in general with Mexico. Arizona does have goodwill from key officials and a reasonable amount of expertise on cross-border trade with Mexico.

Phoenix Mayor Greg Stanton and Tucson Mayor Jonathan Rothschild recently went on a trade mission to Sonora and Mexico City last month, their second this year, which shows remarkable commitment to this topic. However, there continues to be a fundamental shortage of resources dedicated statewide for expanding trade with Mexico.

The outcomes of trade policy affect people through their jobs and their personal economies. With 6 million jobs in the U.S. depending on trade with Mexico, we must discuss how to build upon this fortuitous and very large economic exchange at the national, state and local levels.

*Erik Lee is associate director at the North American Center for Transborder Studies at Arizona State University.*

Read more: <http://www.azcentral.com/arizonarepublic/opinions/articles/2012/09/19/20120919lee-arizona-must-step-up-its-trade-mexico.html#ixzz2A9keSoLG>

# Mexican trade means jobs for Arizonans

By Michael C. Camuñez

*The Arizona Republic*, September 22, 2012

Opinions

As many Arizonans know, the United States-Mexico border region is one of the most important commercial and trade corridors in the world. The relationship extends well beyond the border of both countries — and is critical to both of our countries' economic growth and stability.

In 2011, U.S. exports to Mexico exceeded \$460 billion — that's roughly \$1.3 billion each day. Here in Arizona, Mexico was the state's top export market, accounting for \$5.7 billion, or just under a third of the state's total exports.

More than abstract musings, export growth means real jobs for Arizonans. Indeed, the latest data show that more than a quarter of all manufacturing workers in Arizona depend on exports for their jobs.

That's why the U.S. Department of Commerce and Arizona State University's North American Center for Trans-border Studies, are co-hosting a conference in Tempe this week to discuss strategies for strengthening cross-border trade and share best practices for economic development. The conference, "Realizing the economic strength of our 21st-century border: Trade, education and jobs," will bring together bi-national leaders from academia, the private and public sectors, and civil society.

The focus of this conference is on our economic ties. It is critical that we focus on the powerful economic story that the border region represents. A recent report issued by the Center for Transborder Studies characterized the border region as a critical national asset that is "hidden in plain sight," and I couldn't agree more.

Mexico's contribution to the U.S. economy is even greater than the numbers reveal, since merchandise data statistics don't include service exports, cross-border tourism and the indirect economic benefits that arise from Mexican imports to the United States, which contain close to 60 percent U.S. content.

The U.S. and Mexican economies maintain linked supply chains and high levels of industrial co-production, which means many products or components cross the border numerous times before being completed.

We must ensure we have the capacity to handle increased cross-border trade. Accordingly, in May 2010, Presidents Obama and Calderon issued a Joint Declaration on 21st Century Border Management, in which they expressed their desire to restructure the way we manage the border to encourage trade, enhance public safety, welcome lawful visitors and reduce the cost of doing business in North America.

They charged a high-level executive steering committee of senior representatives from both countries with overseeing the implementation of annual action plans that deepen cooperation with our Mexican partners on improving infrastructure, enhancing the secure flow of goods and people, and strengthening border security.

In support of this effort, the Department of Commerce has launched a border export strategy to help promote bi-national trade and tell the story about what an important contribution the border region makes to our economic well-being, while enhancing our nation's security and public safety.

Our efforts are showing results: bilateral trade with Mexico is up significantly — more than 17 percent higher in 2011 than in 2010.

This week's conference focuses on what we can do to celebrate the significant economic contribution the border region is making toward our national recovery. I challenge both countries to focus on unlocking the region's full potential.

*Michael C. Camuñez is Assistant Secretary of Commerce in the International Trade Administration at the U.S. Department of Commerce.*

# Next Steps



Conference participants take part in a discussion at ASU's Decision Theater ([dt.asu.edu](http://dt.asu.edu)).

The conference “Realizing the Economic Strength of Our 21st Century Border: Trade, Education and Jobs” was a remarkable and highly substantive investigation and discussion of a topic that we cannot afford to relegate to highly technical expert discussions. With the United States still recovering from the Great Recession and with a neighbor and major commercial partner growing more than twice as fast as we are, common sense dictates a much closer look at this dynamic relationship and how we can leverage this bond for the greatest economic boost possible.

Moving forward, the U.S. Department of Commerce and NACTS plan to host a series of webinars to follow up on the important sectoral and breakout discussions. We found that the breakout sessions, whose foci ranged from aerospace sector development to the creation of public-private partnerships, served as incubators for future bilateral discussions in these sectors. Panelists and participants alike expressed a desire to continue these conversations. Additionally, because the message

of the importance of the U.S.-Mexico trade relation is lost in middle-America, over the next several months, the Department of Commerce will work with the Mexican Secretariat of Economy to travel to U.S. and Mexican interior states to talk with companies and stakeholders more broadly about the importance of the U.S./Mexico trade relationship and how the border impacts jobs and supply chains.

For its part, NACTS will continue to conduct research, analysis into anything and everything having to do with North American commercial relationships. Specifically, we are developing a leadership group together with key partners that will help fill a void on the issue of bilateral trade. In addition, we are working on new ways to calculate the true value of our ports of entry with Mexico. One major finding of the conference is that these critical nodes in the North American commercial network deserve much greater attention and analysis than they normally receive.

We will continue to reach out to policymakers and citizens alike on these issues, which we are certain have the potential to positively affect our lives in the years ahead. If the United States and Mexico are able to discuss, debate and finally articulate a solid set of policies with renewed energy then our combined economic strength can only be enhanced. Finally, we are working towards the second annual “Realizing the Economic Strength of Our 21st Century Border: Trade, Education and Jobs” conference, which will be held in a border state in the latter part of 2013.

# We thank our sponsors.

The North American Center for Transborder Studies at Arizona State University expresses our tremendous gratitude to our event sponsors for their generous support of our efforts on the conference "Realizing the Economic Strength of Our 21st Century Border: Trade, Education and Jobs."



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