THE STATE OF TRADE, COMPETITIVENESS AND ECONOMIC WELL-BEING IN THE U.S.-MEXICO BORDER REGION
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Trade and Competitiveness

Commerce between the United States and Mexico is one of the great, yet underappreciated, success stories of the global economy. In fact, in 2011, U.S.-Mexico goods and services trade reached the major milestone of one-half trillion dollars with virtually no recognition.2 The United States is Mexico’s top trading partner, and Mexico, which has gained macroeconomic stability and expanded its middle class over the last two decades, is the United States’ second largest export market and third largest trading partner. Seventy percent of bilateral commerce crosses the border via trucks, meaning the border region is literally where “the rubber hits the road” for bilateral relations. This also means that not only California and Baja California, but also Michigan and Michoacán, all have a major stake in efficient and secure border management.

Unfortunately, the infrastructure and capacity of the ports of entry to process goods and individuals entering the United States has not kept pace with the expansion of bilateral trade or the population growth of the border region. Instead, the need for greater border security following the terrorist attacks of September 11, 2001 (9/11) led to a thickening of the border, dividing the twin cities that characterize the region and adding costly, long and unpredictable wait times for commercial and personal crossers alike. Congestion acts as a drag on the competitiveness of the region and of the United States and Mexico in their entirety. Solutions are needed that strengthen both border security and efficiency at the same time. The development of the 21st Century Border initiative by the Obama and Calderón administrations has yielded some advances in this direction, but the efforts need to be redoubled.

Moderate investments to update infrastructure and to fully staff the ports of entry are certainly needed, as long lines and overworked staff promote neither efficiency nor security. But in a time of tight federal budgets, asking for more resources cannot be the only answer. Strategic efforts that do more with less,

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improving efficiency and reducing congestion, are also needed. Trusted traveler and shipper programs (i.e. SENTRI, FAST, C-TPAT, Global Entry) allow vetted, low-risk individuals and shipments expedited passage across the border. Improving these programs and significantly expanding enrollment could increase throughput with minimal investments in infrastructure and staffing—all while strengthening security by giving border officials more time to focus on unknown and potentially dangerous individuals and shipments.

The border region tends to organize itself in terms of north-south trade corridors as a natural result of the cross-border relationships that facilitate the flow of goods. This phenomenon manifests itself in the development of everything from interest groups to regional border master plans. Without a doubt, economic development and competitiveness in the region is anything but uniform, ranging from the great wealth of San Diego to the pockets of severe poverty in the Rio Grande Valley, from the aerospace cluster in Baja California to the vast deserts of Sonora and Coahuila. Despite this tremendous diversity and even a fair bit of competition to pull trade flows into one’s own region, border communities have more than enough common interests to warrant border wide planning, stakeholder organization, and the sharing of best practices. Recently, crime and violence in certain Mexican border communities has dominated the national perceptions of the region in both the United States and Mexico. To the extent that the border communities and border states speak with a unified voice, they will have a better opportunity to put forth their own narrative about the region and to call for appropriate revisions to national border policies.

Security

Increasing Federal Investment - and Involvement - in a Complex Bi-national Region

The state of security along the U.S.-Mexico border easily ranks as one of the most highly charged topics of public discussion and debate in both the United States and Mexico during the past several years. Concerns about global terrorism, potential threats posed by those entering the United States illegally, and fears that skyrocketing violence in Mexico might “spillover” into the United States have led to dramatic policy shifts and significant new investments by the U.S. to “secure” the border. Yet discussions about border security cannot be fully extricated from or effectively addressed in isolation from other policy areas such as trade and the environment. As demonstrated elsewhere in this report, the promise of free trade and increased commerce between both countries has never been stronger, but ironically, concerns about border security have also slowed economic integration and had a divisive effect on border communities.

Addressing the complex inter-play between security and prosperity at the border is further complicated by the confusing mosaic of overlapping networks of federal, state and local agencies charged with keeping the border area and two nations safe. Diverse policies such as the U.S. war on global terrorism, free trade agreements such as the North American Free Trade Agreement (NAFTA) and the pending Trans-Pacific Partnership (TPP), U.S. immigration policy, the Mexican federal government’s strategy to confront organized crime, the Merida Initiative, police and judicial system reform in Mexico, a rapidly changing governmental architecture, building interagency and cross-border collaboration and trust, border management and trade facilitation all play out in some fashion at the border sometimes effectively and productively and in other instances very inefficiently. All of this has taken place in a context in which U.S.-Mexico bilateral relations have become both more collaborative and more controversial at the same time.
Ironically, many of these policies have little to do with the border per se but reflect broader domestic concerns regarding national security and public safety in the U.S. and Mexico. In large part, the border region is where these often controversial landmark international accords such as NAFTA and national policies “bump up against” stubborn on-the-ground realities in ways that are particularly challenging. To take just one example, there were no new land ports of entry built on the U.S.-Mexico border between 2000 and 2009, posing huge challenges for both commerce and security.

A snapshot of security issues at the U.S.-Mexico border reveals increasing though always controversial federal involvement in a region that has historically maintained a cultural and political independence from both national capitals. The unprecedented U.S. security buildup along the border post-9/11 stands out as a key feature of the increased federal role and is exemplified by the buildup in federal personnel. The U.S. Border Patrol now has over 21,000 agents assigned to the various border patrol sectors, a 518 percent increase in staffing since the early 1990s. Additionally, investments in infrastructure (fencing) and technology between the land ports of entry stands in stark contrast to the multi-billion dollar deficit in ports of entry infrastructure\(^3\) that hampers both legitimate trade and travel as well as effective security operations.

**North-South and East-West Asymmetries**

Security asymmetries abound along the U.S.-Mexico border. As measured by Federal Bureau of Investigation crime statistics, U.S. border cities rank among the safest in the United States, and stand in stark contrast to the fragile-though-improving security situation in major Mexican border cities such as Ciudad Juárez. The disparity in crime and violence across the border is explained in part by the vast difference in institutional capacity (police, courts, etc.). Yet, this is not the only explanation. This paper underscores the remarkable difference between the relatively peaceful western end of the Mexican side of the border (which includes the states of Baja California and Sonora) and the four eastern states (Chihuahua, Coahuila, Nuevo León and Tamaulipas) that have suffered numerous high-profile, horrifying and deeply tragic mass homicides that have left a lasting impact on public sentiment and the public debate in both countries.

**What is Needed Most? Creativity, Capacity-building, and Collaboration**

As the economies, cultures, and destinies of both nations become increasingly intertwined, both federal governments, the border states and communities will have to find new, creative and robust ways to increase public safety in the U.S.-Mexico border region. This will require greater capacity at the state and local level as well as greater creativity and patience at the federal level. Even though both countries have continued to strengthen cross-border collaboration, codified in official policy with the remarkable May 19, 2010 *Joint Declaration on Twenty First Century Border Management* by President Barack Obama and President Felipe Calderón, the U.S. and Mexico have only recently begun to make real progress on a bi-national security regime that is sustainable and “built to last.”

Lasting progress in U.S.-Mexico border security can only come from increased bilateral collaboration and independent domestic progress on key issues affecting security in the United States and Mexico. Significant progress has been made in increasing and improving bilateral security collaboration between federal agencies on both sides of the border. While a welcome development, these federal advances can, in some cases, weaken the long-standing cooperation between local U.S. and Mexican law

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enforcement agencies. While it is important to continue strong federal coordination, encouraging local collaboration can also yield significant and important dividends in fighting crime affecting cross-border cities.

Improved border management, a challenge during normal fiscal times, is particularly difficult in the United States’ constrained fiscal environment and thus requires increased attention and creative solutions. For example, the two federal governments—in close collaboration with border communities—should focus their efforts on making the land ports of entry from San Diego to Brownsville as safe and efficient as possible to enhance both our physical and economic security. Technology, principally in the form of various types of detection equipment, offers some hope in this area. While this technology has been deployed on the border between the ports of entry, the governments have not yet deployed technology in a game-changing way that could convert the ports of entry themselves into true platforms for economic security rather than highly congested and bureaucratized nodes in our North American commercial network.

**Depressurizing and innovating in the border region**

Security in either country does not depend solely on what happens at the border. Rather, the more the two governments can push key security processes away from the border, the better. For example, disrupting illegal bulk cash transfers or firearms trafficking can be done more effectively through investigations and intelligence operations away from the border than via random vehicle checks at the border.

Much work remains to be done in strengthening overall law enforcement capacity in both countries to challenge cross-border trafficking and criminal activity. For example, fully implementing justice reform and advancing police professionalization in Mexico, as well as disrupting the organizations engaged in migrant smuggling, human trafficking and moving illicit substances northward into the United States would be important steps forward. Likewise, the United States needs to demonstrate greater political courage and creativity to fulfill its commitments to reduce the demand for illegal drugs at home and disrupt the flow of weapons and money that exacerbate the violence associated with drug trafficking. Enhanced collaboration to fully implement justice reform in Mexico, the shift to an effective oral adversarial system of justice, would represent a critically important element of what the two countries might achieve together to create better security generally and in the border region in particular. What stands out about justice system reform in particular is that landmark constitutional reforms were passed by Mexico’s Congress in 2008 with an 8-year transitional period established. Yet progress on implementation of the reforms has been slow, with no procedural reforms adopted at the federal level and only a handful of states fully implementing the reforms. Interestingly, border states such as Chihuahua and Baja California stand out for their implementation of reform and are in the vanguard of this fundamental change.

Additionally, progress in modernizing and professionalizing Mexico’s multiple police forces and improving public trust in law enforcement will be critical to creating a safer U.S.-Mexico border region. The Calderón Administration made some progress in this area at the federal level but there is room for much more improvement at all levels of law enforcement, particularly at the state and municipal levels. As President Enrique Peña Nieto’s begins to articulate his government’s new strategy it is evident that he will continue and deepen some of the institutional reforms, seek to place greater emphasis on combating the most violent criminal activity – which tends to be local rather than transnational – and devote more resources to crime and violence prevention programs through greater social investment.
Ultimately, while the U.S.-Mexico border region enjoys a long history of independent thinking, new and innovative approaches will be needed to ensure the border area remains safe while also facilitating the enormous economic potential that exists between and among both countries. Achieving the delicate balance between federal and local needs, and economic versus security concerns, will require greater patience in the form of a more realistic (longer) policy implementation timeline, improved leadership, and creative thinking by all parties.

A framework for measuring border security: key objective and subjective factors
The purpose of this paper is to begin to set a base line for measuring border security between the United States and Mexico. Our plan is to re-examine these issues on a semi-regular basis, making adjustments to both the methodology and criteria as needed. To initiate this process, we have chosen to focus on four major areas to evaluate related to border security. These include incidence of terror related activity and warnings at the border, levels of violence on both sides of the border and an assessment of how these might be linked, seizures of dangerous drugs, money and firearms at the border, and efforts aimed at apprehensions of undocumented and unauthorized migrants.

In addition, border security is characterized not only by objective measures such as the above, but also by a broad spectrum of subjective factors including key U.S. and Mexican government strategies and policies in response to border security challenges. These include efforts such as the 21st Century Border Interagency Initiative in the U.S. and Mexico and efforts to upgrade land ports of entry along our shared border. More specifically, national efforts include a broad range of rule of law efforts in Mexico, the new U.S. Border Patrol Strategic Plan 2012-2016 and anti-drug efforts in the United States and particularly Mexico. President Enrique Peña Nieto’s security strategy will include a continuation of reforms for law enforcement, a re-focusing of the strategy on the most violent crimes and municipalities, and an increased focus on prevention programs as outlined in the recent National Plan for the Social Prevention of Violence and Crime that emphasizes social investment in 250 of the country’s most violent municipalities. Finally, we make special mention of the impact of technology in border security, which has seen ups and downs over the past several years but which promises to change how our shared border is managed in the future.

A Note on the Transborder Development Index
The Transborder Development Index (TDI) is the backbone of the Transborder Information System, a joint project between the Arizona State University’s School of Transborder Studies and El Colegio de la Frontera Norte intended to support decision makers in the public, private and social sectors. The TDI tracks four dimensions that are crucial for the integral development of the U.S.-Mexico transborder region: competitiveness, sustainability, security and quality of life.

The TDI aims to gauge the effectiveness of public policies, public-private partnerships, and citizen-based initiatives in moving the region toward higher development grounds and closing north-south and rural-urban development gaps observable along the border. It also aims to provide a platform to evaluate and envision policies and strategies capable of moving the region quicker along a trajectory of comprehensive development.

The TDI is a composite index comprised of sixty-four indicators grouped in four fully embedded and complementary sub-indices: competitiveness, sustainability, quality of life, and security. After an extensive assessment of existing data sources in Mexico and in the United States, a group of variables was selected to construct the indicators. As the building blocks of the index, variables had to meet the standard of theoretical relevance, as well as the conditions of temporal, spatial and conceptual
comparability required for an index able to compare directly states and municipalities across and along the border. The final selection of variables and indicators was the result of a systematic evaluation process, guided by the goal of producing a measurement tool conceptually and methodologically robust, while maintaining an appropriate level of simplicity and transparency for its use in the public, private and social sectors.

The index provides a panoptic view of the current status and progress of the U.S. states of Arizona, California, New Mexico and Texas and the Mexican States of Baja California, Chihuahua, Coahuila, Nuevo León, Sonora and Tamaulipas, as well as the sixty-four counties and municipalities contiguous to the common international boundary.