WILLIAM J. PERRY CENTER
FOR HEMISPHERIC DEFENSE STUDIES
2013 Edition, No. 3 (October)

Regional Insights

Cross-Border Economies: A Blueprint for North American Competitiveness

Alan Bersin

Neighbors and Strangers[1]

The future emerges from the efforts we undertake today. What we do today, however, more frequently than not stems from an interpretation, right or wrong, of how things occurred in the past and the presumption that the future will be like it. Often this lens renders tomorrow, when it comes around, significantly surprising and unforeseen. In the context of borders, the unpredictability can be particularly striking.

This commentary on U.S./Mexico border commerce and economy assumes that the future is not what it used to be: *El futuro ya no es lo que era antes*.[2] Borderlanders/*Los Fronterizos*, who live and work in the dozen twin cities (*ciudades gemelas*)[3] that dot our 2,000-mile border from Tijuana/San Diego to Brownsville/Matamoros, know how central we are to each other. The cross-border movement (*ida y vuelta*) of shoppers, workers, tourists, students, and business people have knit together a fabric of interdependence at the national margins. This binational regionalism is growing despite an infrastructure distinctly unsuited to accommodate it. By infrastructure I mean both the physical state of our ports of entry (*garitas*) as well as the official reality of invisible arrangements embodied in our respective immigration and customs regulations. But I am also referring to our intellectual infrastructure, including the misperceptions that color U.S. thinking about Mexico and vice-versa, even among *Fronterizos* who think they know one another. All these infrastructures require reengineering to construct a twenty-first century border and bilateral relationship capable of meeting future demands. This must begin, on our side of the border, with a revised American understanding of modern Mexico and its economy, society, and politics.

Twenty-First Century Mexico

- *The Mexican economy today (2011 annual Gross Domestic Product [GDP] at $1.16 trillion) is the 13th largest economy in the world.*[4] Within a generation, by 2042, according to the Organisation for Economic Co-Operation and

---

Alan D. Bersin is Assistant Secretary for International Affairs and Chief Diplomatic Officer, Department of Homeland Security. He was formerly a Commissioner of U.S. Customs and Border Protection (2010–2011).

Development (OECD), Mexico's economy will exceed that of Germany. The need for reform in the energy, telecommunications, and financial sectors, among others, should not overshadow the overall trajectory of Mexico's massive growth and expansion into an economic powerhouse.

- *The Mexican people are increasingly middle class, and Mexico has substantially become a middle-class society.*[5] This is true despite the significant poverty that continues to afflict "los de abajo,"[6] and the class and geographic inequality that remain a central feature of Mexican history. In spite of its fragility, however, the larger socioeconomic transformation under way is unmistakable and reflected dramatically in every relevant measure: GDP per capita, fertility rate, infant mortality, life expectancy, average years of schooling, home ownership and the quality of housing, changes in lifestyle, and patterns of consumption.[7]
- *Mexico is a vital, functioning democracy.*[8] This development is embodied in its electoral success, its robust legislative process, and the initial steps it is taking to build the rule of law in its country. The State challenge to transnational organized crime based in Mexico—and its attendant violence—appears an unavoidable part of the democratization process that will continue to evolve over succeeding generations. As this occurs, and while there are differences in kind and degree that matter, Americans should not forget that it took their country considerably more than one generation to turn the *Cosa Nostra* into the *Sopranos*, to control systematic corruption in politics and law, and to create a reliable and professional law enforcement apparatus at local, state, and federal levels.

While remembering our own past in assessing Mexico's present, Americans also should be mindful of the enormous impact the changes in Mexico will have on the future of the United States and the North America we inhabit.

The growing integration of the U.S. and Mexican economies since the North American Free Trade Agreement (NAFTA)/*Tratado de Libre Comercio de América del Norte (TLCAN)* was implemented in 1994 is eye-opening. Including professional services and direct foreign investment, bilateral economic engagement now exceeds a half trillion dollars in value annually. Trade between our countries amounts to $1.3 billion daily, more than $460 billion yearly. The U.S. is Mexico's largest trading partner by far (purchasing 81 percent of exports), while Mexico is the third largest partner for the U.S., accounting for 12.2 percent of exports and 11.3 percent of imports. It is closing in rapidly on China for second place. Twenty-one American states rely on Mexico as their first or second largest markets for exports. Remarkably, half of this trade is intra-industry, involving shared production platforms and multiple border crossings prior to final assembly and sale.[9]

A Twenty-First Century North America: Energy, Labor, and Security

Given a similarly robust economic and trade relationship on the U.S. northern border with Canada,[10] the bottom line is a potential North American bonanza. Our first and third largest trading partners—Canada and Mexico, respectively—are our primary sources of imported oil.[11] The technologies associated with the oil and gas "fracking" revolution and the abundance of supplies in North America promise all three neighbors will be collectively self-sufficient in energy over the next three decades or sooner. The implications for our continental economy and its international competitiveness are enormous. This will increasingly be the case as wage rates rise across our principal competitors—in East Asia, the Indian sub-continent, Turkey, Brazil, and Indonesia—and manufacturing returns onshore to the shared platforms that now exist in North America.[12]

The changes in Mexico's social structure portend equal effects on labor markets and migration trends. Last year, for the first time in six decades the net outflow of Mexicans (voluntary departures and deportations) from the U.S. exceeded the number of migrants arriving in this country legally and illegally. Attempts to cross the southwest border illegally were the lowest since the 1970s, as measured by the fewest apprehensions in memory. Moreover, of those apprehended attempting to cross the southwest border, one out of two in south Texas were "other than Mexican" (OTM)—mostly from Central America but also from countries outside the hemisphere. These trends reflect the economic downturn in the wake of the financial meltdown in 2008 and also the massive bipartisan U.S. investment in border enforcement capacity since the 1990s.[13]

As the U.S. economy rebounds, these facts of migration on the ground are not likely to change materially because the basic framework now governing them is different. The demographic effects of Mexico's industrialization are taking hold. Increased employment op-

Photo: U.S.-Mexico border between El Paso and Ciudad Juarez. Alexandre Meneghini, AP.

portunity at home reduces the "push" out of Mexico and will continue to do so. The dramatic reduction in birth rates has resulted in a decrease in the number of 16-to-28 year olds, which historically provided the surplus labor from Mexico to fuel America's economic growth.[14] Today, the stronger push comes out of Guatemala, Honduras, and El Salvador, where poverty and violence combine to drive young people north.[15]

These long-term trends will alter irrevocably the nature of interactions in the Mexico/U.S. border region. As Mexico becomes a "transit" country for OTM migration toward the United States and a "receiving" country in its own right of surplus labor from elsewhere, its approach to border enforcement and migration management will adapt to the new circumstances. Cooperative Mexico/U.S. border management to ensure public safety on our shared boundary and to control illegal migration on Mexico's southern border will mark an important expansion of the doctrine of coresponsibility that increasingly characterizes the bilateral approach to problem solving. This development in turn will hasten the creation of a legitimate U.S./Mexico labor market through common sense reform of U.S. immigration laws.[16]

More and more, just as economic competitiveness is viewed in a continental context, security will be approached from a "perimeter perspective" that looks to manage flows of goods and people toward and to protect North America from Panama north to the Arctic. The steady democratization of Mexico and the continuing effects of NAFTA/TLCAN will facilitate joint activity among Mexico, Canada, and the U.S. in place of the uncoordinated relationships among the three countries that exist today.[17] In the future, Central America increasingly will figure into the continental economic and security equation.

Rethinking Borders

The U.S./Mexico border region will be central to the unfolding story of the U.S./Mexico relationship. For much of its history since the nineteenth century the border was wild and untamed, treated both by Mexico City and Washington as a no man's land, for the most part ignored in the realms of national politics and policy.[18] Drawn by the Treaty of Guadalupe Hidalgo, which ended the U.S.-Mexican War in 1848 at the cost to Mexico of half its territory, *la línea* (the line) has long been a sore spot. It is a place where sovereignty has been most jealously guarded and aggressively asserted. Although the border was often an occasion for collision at the national level, to those who lived and worked there and have for the most part been left to their own devices it is a place of synthesis where cultures, economies, and families have blended and meshed. In Mexico the border traditionally has been known as *el tercer pais* (the third country). This state of affairs is how the perception and reality of interdependence developed and was maintained among the roughly 12 million people who live along the borderline's stretch from east to west.

Borders today are as much about flows of goods and people, north and south, as they are about the east/west boundary those flows will cross and often recross.[19] As places where cross-border commerce flows and communities live, *Fronterizos* are well positioned to offer important guidance regarding integration to their countries at large. The challenge for them is to shed inherited attitudes and embrace new perspectives. They must see themselves as part of the economic mega-regions they inhabit rather than as isolated population and commerce centers. The gross domestic product of the 10 (U.S. and Mexico) border states account for a quarter of the combined national economies of the two countries. Only the United States, China, Japan, and Germany have a larger standalone GDP than the border region. This is the base that is generating much of the dynamic of economic and social integration not only in Mexico but along the north-south axis in North America.[20]

Much of the traditional "border agenda" relating to infrastructure, wait times, cross-border development, and other issues needs to be recast as a national matter of priority in light of this changing context. The central objective must be to drive down transaction costs of moving people and goods across border lines. This efficiency is key to our economic competitiveness at every level of the supply chain. Border communities can prosper if they build themselves into gateways and bridges to the North American future that awaits Mexico and the United States.

The New Border Agenda

Conventional wisdom on the U.S./Mexico border has told us for many years that trade and security are mutually exclusive—that an increase in one must lead to a decrease in the other. We are told that we must sacrifice some amount of safety in order for our commerce to thrive or wait an extra two hours in line at the border to reduce the chance that transnational criminals of one species or another, including terrorists, will sneak across it. In the post–9/11 world, we have been told that national policies must trump local arrangements.

We are now learning that this approach to managing the border is misplaced. First, it fails to address the everyday experiences of people who live along the U.S./Mexico frontier. Second, it ignores the growing importance to the prosperity of both nations of our binational trade. Third, it poses a false anachronistic choice between security and trade that results in grossly inefficient border management.

We are now devising innovative solutions that address the difficulties we face head on and liberate us from the conceptual straightjackets of "security versus trade" or "national versus local." Properly understood, commerce and public safety can be mutually reinforcing from the standpoint of both federal requirements and local interests. The fact that trade and security can enhance one another does not mean that they automatically will. We must regularly use smarter security practices on our borders that allow us to process goods and travelers that we know are safe and legitimate with maximum efficiency, focusing our energies on people and shipments that could potentially pose a threat to our safety and our prosperity. We must spend 90 percent of our time on the 30 percent of people and goods about which we know the least. Risk management and traffic segmentation are the key levers of a more efficient border.[21]

Spurred by the "Twenty-First Century Border Declaration" by Presidents Obama and Calderón, to be extended even further by President Enrique Peña Nieto, we have begun to move decisively in this direction. Trusted Partner programs such as SENTRI and Global Entry/*Viajeros Confiables*, FAST, and C-TPAT/*Nuevo Esquema de Empresas Certificadas* for people and commerce must be expanded dramatically and exploited more systematically. These programs allow us to quickly process prescreened cargo and previously vetted travelers, which in turn allows a focus of time and energy on goods and people about which less is known. Local communities and businesses must partner with federal authorities to expand the number of trusted travelers and cargo so that we can expedite their movement at scale and focus regulatory attention in targeted fashion.[22]

Federal authorities must continue to support initiatives that are tailored for specific ports of entry and that reengineer processes to make more efficient use of existing infrastructure. One compelling example comes from El Paso, where the local U.S. Customs and Border Protection (CBP) office works directly with city authorities to ensure the most efficient use of bridges back and forth over the Rio Bravo/*Rio Grande*. Similarly creative proposals involving both countries are on the table from *Tijuana*/San Diego and *San Jeronimo*/Santa Teresa.[23] These local efforts are customized to reflect the needs and circumstances of the local community as well as the resources available to it. The important point is that they result from a process of co-creation by and between the U.S. and Mexican public and private sectors.

A crucial related step is to drastically update existing border infrastructure, some of which is better suited to the 1950s than to the twenty-first century. This is something that must be tackled on both sides of the border. The United States and Mexico have a mutual responsibility to improve inadequate border infrastructure by modernizing and repairing highways, bridges, and customs facilities that surround and straddle the ports of entry.

Building new ports of entry is, of course, much easier said than done. The presidential permitting process, in which all new proposals must receive the blessing of a half dozen federal agencies, often constitutes a challenge to twenty-first century border management. Reconsidering the contours of this process in a way that addresses modern day security and commercial demands from a contemporary perspective would result in increased economic vibrancy and security. Additionally, the governments of our countries could explore the opportunity to move from parallel bilateral processes of application, design, and construction to a single unified binational one.

We must also develop binational investment frameworks that permit public-private partnerships to finance the construction of new ports of entry. These hybrid entities have successfully financed numerous infrastructure projects in both countries and could readily do so on a cross-border basis. Indeed, the border remains a particularly appealing place for public-private partnerships, because governments, investors, nongovernmental organizations, and even development banks from both countries could participate in the projects.[2]

The North American Enterprise

Many of these ideas have been talked about for years in border communities. Nonetheless, undermined by old habits of mind and outdated practices, they remain largely un-enacted for want of political traction.[25] To garner broader appeal and support will require fundamental changes in the approach that connects borders north and south with larger agendas rather than narrow parochial ones.

To this end, all our efforts and policies should be guided by what Bayless Manning characterized as an *intermestic* lens that is simultaneously international and domestic.[26] The concept states that as globalization proceeds through increased travel, trade, and technological advance, the line between international and domestic issues becomes more blurred. Nowhere is that more true than along our land border with Mexico.

Our policymaking and politics must take account of the *intermestic* nature of border issues. Today the communities, both at the border and in the interior, most deeply touched by border policies developed in Washington and Mexico City, often have little role in developing and implementing those policies. Not only does this fact leave them unrepresented on matters that intimately affect them, it robs the policymaking process of much needed local expertise and experience as well as political support. To genuinely secure our border and encourage trade, we must enlist the interest, insight, and imagination of local communities on both sides of the borders.

The first step toward this change is to place the book of conventional wisdom firmly back on its shelf. In its place, we must write a new volume of border leadership that recognizes new facts on the ground, rejects old dichotomies, reconciles appropriate federal standards with local decisionmaking, and results in diverse communities acting in concert in their nations' capitals rather than separately in competition.

Only then will we have reinvented the border not just as an extension of the communities, regions, and countries they serve but also of the North America they share. And crucially, this new approach to border issues must also end the fragmentation and "parallel bilateralism" that historically has characterized North American relations. Discussions about and policies impacting the border must include Mexico, the United States, and Canada. The Obama/Calderón "Twenty-First Century Border Declaration of 2010" must be viewed and implemented first with an eye on and ultimately in tandem with the "Beyond the Border Action Plan" declared by Prime Minister Harper and President Obama in 2011—and vice-versa. This is the trilateral continental context from which our brightest future could be built from the borders inside out.[27]

Notes

1 As Andrew Selee notes, we have gone from being Distant Neighbors to Intimate Strangers. Andrew Selee, Christopher Wilson, and Katie Putnam, *The United States and Mexico: More Than Neighbors* (Washington, DC: Woodrow Wilson Center Mexico Institute, 2010), 2–3; Alan Riding, *Distant Neighbors: A Portrait of the Mexicans* (New York: Vintage, 1989).

2 Quote from Paul Valéry; see *The Greatest Quotations of All Time*, Anthony St. Peter, ed. (2010), 264.

3 Brownsville/Matamoros; Reynosa/McAllen; Nuevo Laredo/Laredo; Ciudad Acuña/Del Rio; Piedras Negras/Eagle Pass; Ciudad Juarez/El Paso; Las Palomas/Columbus; Agua Prieto/Douglas; Nogales/Nogales; San Luis/Yuma; Mexicali/Calexico; Tijuana/San Diego.

4 World Development Indicators, World Bank, http://data.worldbank.org/data_catalog/world development indicators; see Thomas L. Friedman, "How Mexico Got Back in the Game," *New York Times,* February 23, 2013.

5 Luis De La Calle and Luis Rubio, *Mexico: A Middle Class Society–Poor No More, Developed Not Yet* (Washington, DC: Woodrow Wilson Center Mexico Institute, 2012); Shannon K. O'Neil, "Mexico Makes It: A Transformed Society, Economy and Government," *Foreign Affairs,* March/April 2013; Shannon K. O'Neil, *Two Nations Indivisible: Mexico, the United States and the Road Ahead* (Oxford, UK: Oxford University Press, 2013).

6 Mariano Azuela, *Los De Abajo/The Underdogs* (1915) (New York: Penguin Books, 2008).

7 The case of Chalco, a community on the outskirts of Mexico City, is illustrative. See William Booth and Nick Miroff, "Despite Economic Progress, Mexico Remains Far From Rich," *Miami Herald–International Edition*, December 21, 2012.

8 Andrew Selee and Jacqueline Peschard, eds., *Mexico's Democratic Challenge: Politics, Government and Society* (Washington, DC, and Stanford, CA: Woodrow Wilson Center Press and Stanford University Press, 2010); see http://www.pewglobal.org/2012/06/20/mexicans-back-military-campaign-against-cartels.

9 See Selee, Wilson, and Putnam, *More Than Neighbors,* pp.16–20; Erik Lee and Christopher Wilson, *The State of Trade, Competitiveness, and Economic Well-Being in the US-Mexico Border Region*, Woodrow Wilson Center-Mexico Institute and El Colegio de la Frontera Norte, North American Center for Transborder Studies, Arizona State University, 2012; Assistant Secretary of Commerce Michael C. Camuñez, Speech at the Border Mayors Association Meeting in San Diego, California, August 24, 2012. Available at http://trade.gov/press/speeches/2012/camunez-082412.asp. See also Christopher E. Wilson, *Working Together: Economic Ties between the United States and Mexico* (Washington, DC: Woodrow Wilson Center Mexico Institute, 2011).

10 At 5,525 miles, the U.S.-Canada border is the longest shared border in the world. Ninety percent of Canada's 34 million residents live within 100 miles of the U.S.-Canada border. Bilateral trade and investment tops $1.1 trillion annually; roughly three-quarters of Canada's exports go to the United States; and Canada is the leading or second largest export market for most American states. Seventy percent of bilateral trade is transported crossborder by trucks, and commercial truck traffic is predicted to increase by more than 100 percent by 2035. Canada is the top supplier to the United States of natural gas (86 percent) and crude oil (17 percent) and more than 99 percent of Canada's gas and oil exports go to the United States.

11 Robert Pastor, "The Future of North America," F*oreign Affairs*, July/August 2008; Selee, Wilson, and Putnam, *More Than Neighbors*, 25–29; Hector Aguilar Camín and Jorge G. Castañeda, *Un Futuro Para México* (Mexico City: Santillana Ediciones Generales, 2009).

12 See Michael Shifter and Cameron Combs, "Shifting Fortunes: Brazil and Mexico in a Transformed Region," *Current History*, February 2013.

13 Adam Isaacson and Maureen Meyer, Border Security and Migration: A Report from South Texas, Washington Office on Latin America, 2012; Doris Meissner et al., "Immigration Policy in the United States: The Rise of A Formidable Machinery," Migration Policy Institute (2013) at www.migrationpolicy.org/pubs/enforcementpillars.pdf.

14 De La Calle and Rubio, *Mexico: A Middle Class Society,* 26–65.

15 Sebastian Rotella, "The New Border: Illegal Immigration's Shifting Frontier," *ProPublica*, December 5, 2012; see http://www.propublica.org/article/the-new-border-illegal-immigrations-shifting-frontier.

16 "Twenty-First Century Border Management, U.S.-Mex., May 19, 2010" (Declaration of U.S. Pres. Obama & Mex. Pres. Calderón), available at http://www.whitehouse.gov/the-press-office/declaration-government-united-states-america-and-government-united-mexican-states-c.

17 "Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness, U.S.-Can.," February 4, 2011 (Declaration of U.S. President Obama & Canadian Prime Minister Harper), available at http://www.dhs.gov/xlibrary/assets/wh/us-canada-btb-action-plan.pdf; See http://www.whitehouse.gov/the-press-office/2013/01/29/fact-sheet-fixing-our-broken-immigration-system-so-everyone-plays-rules; see also Zachary Goldfarb and Rosalind Helderman, "Obama Makes His Immigration Push," *Washington Post*, January 29, 2013.

18 See e.g., Alan D. Bersin, "Threshold Order: Bilateral Law Enforcement and Regional Public Safety on the U.S./ Mexico Border," 35 *San Diego Law Rev.* 715 (Summer 1998).

19 Alan D. Bersin, "Lines and Flows: The Beginning and End of Borders," *Brooklyn Journal of International Law*, vol. 37, no. 2 (2012).

20 United States-Mexico Border Health Commission (USMBHC), "The United States Border Region at a Glance, 2011"; The U.S.-Mexico Border Mayors Association has aptly described the region as follows: The U.S.-Mexico border region is an area covering 100 kilometers (62.5 miles) north and south of the international boundary that stretches approximately 2,000 miles from the southern tip of Texas to California. The region includes 4 U.S. and 6 Mexican border states, 44 U.S. counties, 80 Mexican municipalities, 14 twin sister cities, and approximately 25 Native American Nations. The 10 U.S. and Mexican border states, with a combined population of nearly 100 million people, have been jointly described as the world's fourth largest economy. The population in 2012 is estimated to be between 12 and 13 million in the border counties and municipalities, and this number is expected to double by the year 2024. In addition to being home to millions of people, the border region houses 45 land crossings that handle millions of trade and recreational transits a year. More than 150 million people crossed from Mexico to the U.S. in 2011 alone on buses, in cars, and on foot. Mexico is also second only to Canada for tourism in the U.S. Nearly 14 million annual Mexican visitors to the U.S. spend millions of dollars on U.S. goods and services every single day. The large majority (85 percent) of Mexican arrivals to the U.S. occur at the land ports of entry along the border; see Andrew Selee, "Mexico en EU," *El Universal*, February 17, 2013.

21 Bersin, "Lines and Flows," 398–399.

22 See "Trusted Traveler Programs, U.S. Customs and Border Prot.," http://cbp.gov/xp/cgov/travel/trusted_traveler/.

23 See Memorandum of Understanding between the City of El Paso and the United States Department of Homeland Security, U.S. Customs and Border Protection (January 18, 2013); see Declaration of Principles between Department of Homeland Security of the United States of America and the Ministry of Finance and Public Credit of the United Mexican States Concerning Bilateral Strategic Plan Initiatives (February 27, 2012).

24 See Homeland Security Advisory Council, "Border Infrastructure Task Force: Report and Recommendations" (November 2012); http://www.dhs.gov/sites/default/files/publications/Final%20BITF%20Recommendations%2011%2012_0.pdf.

25 Alan D. Bersin, "El Tercer Pais: Reinventing the U.S./ Mexico Border," *Stanford Law Review*, vol. 48, no. 5 (1996); cf. Carlos Fuentes, 1996: "Pobre Mexico, pobre Estados Unidos; Tan lejos de Dios y tan cerca el uno del otro."

26 Bayless Manning, "The Congress, The Executive, and Intermestic Affairs: Three Proposals," 55 F*oreign Affairs* 306, 309 (1977).

27 U.S. Chamber of Commerce, "Enhancing The U.S.-Mexico Economic Partnership," a report of the U.S.-Mexico Leadership Initiative (2012); see Robert A. Pastor, "Shortcut to U.S. Economic Competitiveness: A Seamless North American Market," Policy Innovation Memorandum No. 29, Council on Foreign Relations Press, 2013; Peter H. Smith and Andrew Selee, eds., *Mexico and the United States: The Politics of Partnership* (Boulder: Lynne Rienner Publishers, 2013).

William J. Perry
Center for Hemispheric Defense Studies
Publications Department
Abraham Lincoln Hall
260 5th Ave., Bldg. 64
Fort McNair, Washington, DC 20319-5066
chdsejournal@ndu.edu