

PARTNERSHIPS FOR PROGRESS

The Consensus Report

of the

Regional Trade Town Hall

and the

Fifteenth New Mexico Town Hall

INTRODUCTION

The states of New Mexico, Texas, Arizona, Chihuahua and Sonora represent an important gateway of commerce between the United States and Mexico. Border crossings, transportation infrastructure, manufacturing, agriculture, maquiladoras, professional services and intertwined relationships along the border are vital to the health and economic potential of the region.

To explore the obstacles and opportunities surrounding cross-border trade in this region, New Mexico First convened its first-ever Town Hall involving participants of states other than New Mexico.

The unique gathering brought more than 120 participants from New Mexico, Arizona, Texas, Chihuahua and Sonora to Albuquerque, N.M., for a meeting that was conducted May 31 to June 3, 1995.

OBSTACLES AND OPPORTUNITIES

The rich socio-economic differences and shared history of our five-state, two-country region are responsible for both the challenges and opportunities in cross-border trade. It is up to each state to evaluate its strengths, priorities and potential roles within the region to minimize the obstacles and take advantage of these opportunities.

There are challenges that are common to all the states that, through their resolution, will lead to the realization of these opportunities. These obstacles can be summarized in these general

categories: legal and regulatory systems, business support services and information, cultural differences in business practices, financial activity and infrastructure.

LAWS AND REGULATIONS

One of the most significant impediments identified by the Town Hall is the complex and diverse system of laws and regulations of the United States and Mexico that govern cross-border trade. The puzzle is made more difficult by inconsistent application and enforcement of the laws at the border. The result is unnecessary costs and delays in moving commerce and people across the border.

The legal systems of Mexico and the United States are fundamentally different. These differences are apparent in general business laws, taxation, financial regulations, professional licensure requirements, insurance, immigration, border crossing procedures, crossing permits, environmental laws and other paperwork.

Laws governing these aspects should be simplified and standardized when possible. Importers and exporters should have better access to information about existing laws and procedures.

A regulatory review process should be implemented to coordinate the work of the various regulatory agencies, to prevent duplication and promote uniform enforcement.

Alternative dispute resolution, such as mediation and arbitration, or mediacion and arbitraje, is identified in NAFTA as an important mechanism for resolving binational and international commercial disputes. Centers now in existence to facilitate, educate and provide services in this arena, such as the U.S.-Mexico Conflict Resolution Center, should be recognized and funding should be continued through private and public resources.

BUSINESS INFORMATION AND SERVICES

There is presently a lack of dissemination of information about available support services that could help business on both sides of the border. There is a lack of access to existing information, and sometimes information that could help businesses does not exist.

The Town Hall recommends the creation of regional entities that will strengthen cooperation and coordination of public and private organizations and partnerships that can provide the support and information needed to enhance cross-border trade. These could include marketing analyses, access to finance and investment capital, inventories of available products, services and markets, internships, software enhancements to speed translations of documents, common computer platform development and installations, formal and enhanced education in the languages and cultures of each other's countries, encouragement of bilingualism, and cross-border mentoring by current and retired Mexican and United States business persons.

States should join with private industry in coordinated regional planning for cross border trade which addresses issues of business opportunities, physical and human infrastructure needs, environmental concerns, financial resources, and education and training. An example of such planning is the Chihuahua Siglo 21 project.

Political and business groups, such as the Border Governors Conference, the Camino Real Economic Alliance, the Border Trade Alliance, maquila organizations and groups, and other multi-state, bi-national groups, the Sonora/Arizona Commission and the Cuatro Caminos should demonstrate leadership in these efforts. Local legislators should stage trips for national, state and local public officials to the border so they can become familiar with the area and its situation.

The states on both sides of the border should actively support better print, telecommunications, and electronic access to existing legal regulatory and business information sources and other resource guides. One-stop information services should be encouraged.

Universities, community colleges, national laboratories and other institutions in both countries should continue to develop and create new collaborative educational activities related to business practices, technology transfer, and cultural differences by developing reciprocity agreements, student exchanges, tuition exchanges, cultural programs and internships.

In conclusion, neighboring border cities must consider closer cooperation in services and programs by creating opportunities for business and government counterparts to meet on a regular basis. In addition, local town halls on specific issues could be held.

BUSINESS AND CULTURE

Cultural familiarity is paramount to doing cross border trade. Cultural differences, while proving to be exciting and challenging, can make trade more difficult. Differences in customs, traditions, values, language, business practices, and other standards, if properly appreciated, can work to enhance cross border trade. Furthermore, the five state region's common culture and heritage can be an asset.

Cultural understanding especially when developed at a young age can lead to trust and mutual respect which are both crucial to international relationships.

Businesses that are familiar with the other country's respective cultures generally have an advantage in cross-border trade. The region is in a unique position to utilize transnational partnerships and to develop more extensive cross cultural capabilities. Opportunities should be expanded for training and information exchange to develop a practical understanding of how cultural factors influence international trade.

FINANCE AND INFRASTRUCTURE

The lack of available credit and other financing for cross-border investments is also an obstacle to trade, but it also represents an area of opportunity.

Cross-border trade has been complicated by the devaluation of the peso. It has caused a loss of confidence, has shrunk the availability of financing, and reduced the buying power of the peso. Those factors generally hurt businesses in both countries.

However, it should be noted that opportunities also resulted from the peso devaluation due to the reduction of cost in relationship to the US dollar of Mexican real estate, labor, and products. The reduced cost to the US buyer provides opportunity to establish business in Mexico to increase Mexican export trade.

There is a lack of physical infrastructure along the border, particularly highways, railroads and warehousing facilities. Private investment in infrastructure should be encouraged. Infrastructure needs are discussed in greater detail later in this report.

The Town Hall also identified the need to protect the environment along the border as growth continues in the region.

REGIONAL OPPORTUNITIES

The five states in the region considered by the Town Hall are rich in assets and opportunities. The states have significant natural resources, human resources, recreational opportunities and key business sectors. The Town Hall recommends measures that would help the region realize its potential for economic advancement. The potential exists not only for increased exports but also for the development of industries to serve the region itself.

Some strengths are unique, such as the deep-water ports at Guaymas, Sonora, and Topolbampo, Sinaloa, the building materials industry of Chihuahua, the commercial center of El Paso/Juarez, Arizona's well-developed border activities and the research and development power and potential of New Mexico.

In the manufacturing sector, the power of some maquiladora companies could be harnessed and refocused. A major goal would be the transformation of some companies from assembly operations into research and development and/or integrated manufacturers of products with marketing, sales and distribution divisions. The output would be available for export and internal consumption. Development of this sector could lure component assembly business away from Pacific Rim countries.

Sectors that have the most potential for export and import activity should be identified and a system developed to share the information.

As previously discussed, public works, or physical infrastructure, is vital for the region to fully realize its potential. Development of the region's infrastructure will help attract business, increase economic opportunities, create jobs and build the business service sector.

Public and private investment in roads, railroads, international air service, communications facilities, water resources and environmental protection are all essential. Regional transportation and communication systems should be developed. U.S. environmental technology should be readily available to Mexico.

New venture opportunities also exist in the development of electricity generation and transmission, petroleum processing and distribution, water purification and delivery, environmental restoration and natural gas transportation and utilization.

An economic infrastructure must also be developed: in labor, entrepreneurship and finance.

Human resource development -- education and training for workers -- will add to the economic strength of the region. For business owners, convenient one-stop business service centers should be developed, utilizing information from all of the states in the region. This information should include regional industry business directories, as well as key government contacts to facilitate

communication in the region. This information should be available both on-line, through Internet, and in hard copy.

The area also needs access to financial capital. Development of regional financial services and capital market as well as access to outside capital are keys to the development of infrastructure, education, social services and communication.

Strategic planning, particularly for New Mexico, is a priority. New Mexico has an opportunity to participate in efforts being undertaken by its sister states in the region to enhance its economic opportunities. Chihuahua's "Siglo 21" process is a good model.

Historically, the five states have not acted as a unified economic region. It is unrealistic to expect any state to voluntarily cede its advantages to another state. However, the states' similarities lend themselves to sharing of their strengths, regional planning and building of public and private sector information-sharing and other key alliances.

The states should endeavor to cooperate for mutual benefit, rather than compete for limited markets.

The region's natural beauty has always attracted tourists and new residents. Tourism and recreation are highly significant economic activities in the region. The five states should make efforts to coordinate their tourist service programs, for example, the existing tourist attraction of the region could be enhanced through the promotion of two-nation vacation packages. Development and promotion of this potential will require simplification and modification of existing border crossing procedures. While the primary purpose would be to assist and promote European and Asian visitation into the region, the program would apply equally to North American tourists from regions remote to the border and by promoting El Camino Real from Chihuahua to Santa Fe.

Companies and investors in the region can do much to foster the area's development by forming alliances among themselves for their mutual benefit. Supply agreements and trade associations of similar businesses are feasible, such as:

- Waste transportation and management along the border
- Fruit growing, processing and distribution, meat processing and other agricultural marketing and promotion
- Computer systems and maintenance
- Regional trade shows featuring borderland trade and maquilas.

Business and government alliances could also be developed to foster the exchange of technology and education, the enhancement of bilingualism and the development of basic industries.

Alliances involving state and local governments also offer advantages for economic growth. Examples are the Arizona-Mexico Commission, the Camino Real Economic Alliance (CREA), the Maquila Association, the Border Trade Alliance and the Border Governors Conference.

The region should also better avail itself of its geographic, cultural and linguistic advantages to better access key markets for the region, such as the Asia Pacific Rim, Latin America, and the Rocky Mountain corridors. Regarding exports, the region could benefit by taking better advantage of the deep water shipping port in Guaymas, and existing fully developed ground transportation facilities.

Other avenues for economic growth also exist, and task forces should be formed to recruit new companies to the region, to provide them with information on available financial resources, and to promote the sale of products and services outside the region.

SPECIFIC RECOMMENDATIONS

The Town Hall recommends the creation, in New Mexico and throughout the region, of private sector-public sector partnerships for strategic planning, as the state of Chihuahua has done through the Chihuahua Siglo 21 project. To resolve border crossing, transportation and finance issues, the Town Hall strongly recommends that every public and private institution work aggressively to seek out solutions and partners that can help the flow of commerce within and outside of the region.

Private businesses, trade associations and law centers established to implement NAFTA are the most appropriate entities to take the lead in implementing the recommendations. These groups must work closely within the political process to achieve their goals. The governors of the five states within the region should assume responsibility for seeing that the recommendations are implemented, and ensure there is no redundancy of effort among individual entities. The Town Hall has already identified the Border Governors Conference as a pivotal organization in this effort from the government point of view.

To represent the private sector interests, the Town Hall recommends that the US/Mexico Chamber of Commerce participate in the coordination of the many cross-border institutions.

The national and state legislatures must also be involved. Lawmakers should enact laws that encourage the free flow of commerce, improve insurance and banking regulations, promote transportation planning and construction. They can also work to keep the public focused on the issues. Many groups already exist to assist in this effort in every state in the region. They are enumerated in the background report prepared for this Regional Town Hall.

The Town Hall opposes border crossing/user fees as defined to mean federally imposed uniform fees on all border crossings which would go to the general fund instead of being allocated to border infrastructure development. The Town Hall suggests that rather than looking at the easy

target of fees on border crossings, other alternative measures to finance infrastructure development at the border be explored, such as using NADBANK, whose mandate is precisely one of addressing border infrastructure needs.

CROSSING THE BORDER

Pedestrian and commercial border crossings require knowledge and understanding of existing federal and state regulations. The process, without proper research, is complex and uncertain. People and businesses involved should be encouraged to research the effect of these regulations in relation to their activity. The Town Hall recognized that simpler, more reliable and efficient procedures for customs inspections, border crossings and passenger travel would save time and money, and lead to a general improvement in the regional economy. The participants also acknowledged that there is some resistance to change that must be confronted in order to improve border crossing efficiency and realize the full potential of the North American Free Trade Agreement. Objectives for customer service must be adopted by government agencies involved in the border crossing process. Justification and motivation for this change in emphasis should be provided by quantifying the costs of lost time due to lengthy and delayed crossings and the environmental impact of high vehicle emissions and wasted fuel.

It was recommended that the region form a team to benchmark successful border crossing processes at the US/Canadian border and in Europe to ensure that the best proven processes and technologies available are being put in place to ease border crossing inefficiencies.

The technology presently exists, and it is being tested along the border, which would simplify the shipment of cargo and alleviate chronic delays at the existing border crossings. For example, electronic transfer of customs data and the use of scanning and tracking devices would make commerce more efficient and reliable and could encourage small businesses to pursue cross-border business.

The Town Hall recommended the use of the border crossing at Santa Teresa, New Mexico/San Geronimo, Chihuahua, for developing and testing the latest "smart technologies" to cost-effectively expedite the movement of commercial and private traffic. Santa Teresa would serve as a pilot project and the technologies developed would be available for use at all other border crossings.

The Town Hall encourages the region's members to continue seeking respective federal funding to support the research and development of technology to improve cross border operations.

The Town Hall also recommends more cooperation between Mexico and the United States in the operations and management of border crossings. Federal agencies of the two nations should adopt a unified port management system. A unified port management model is currently being tested in Nogales, Arizona. Joint training of border personnel, with an emphasis on customer service, also should be considered.

The procedures for shipping cargo between the United States and Mexico are still being resolved under NAFTA. However, there are immediate problems, such as the use of multiple truck trailers and delays caused by customs brokers in Mexico and the United States. Documents used in international trade should be standardized, particularly bills of lading. One method of alleviating such problems is locating customs inspectors and cargo clearance operations closer to the point of product origin. A regional inspection and clearance pilot program should be implemented on a significant sample of the motor carrier population. For example, the program would consist of electronically clearing cargo, verifying credentials and collecting revenues. This would reduce bottlenecks in the region and is essential to economic growth and trade.

To aid travel, both countries should work to increase the use of visible bilingual signs, provide for travel permit processing at interior airports, and expand "frequent crosser" programs in

Mexico and the United States. Also, border staff should be trained for more appropriate and user friendly service.

REGIONAL TRANSPORTATION SYSTEMS

The Town Hall identified the need to design and develop an integrated transportation system in the region. Such a system would incorporate highways and roads, railroads and airlines, interconnected at multi-modal transit facilities. The U.S. delegates should encourage, through contacts with their U.S. congressional delegations, the adoption of the National Highway System by Congress' self-imposed deadline of September 30, 1995, as an essential method to build and maintain a financially adequate highway system.

Specifically cited was the need for regional airline service to the region's smaller and medium-sized cities, and a relaxation of the rules that restrict the number of landings to pick up passengers allowed in international flights.

Difficulties in the motor carrier industry were also identified by the Town Hall, and the participants recommended a study of trucking issues. It also endorsed the efforts of the Joint Working Committee for Land Transportation, the NAFTA Land Transportation Standards Subcommittee, the Southwest Border Transportation Alliance and the North American Committee on Surface Transportation Law and Practice. Complimentary, integrated communication systems to support the development of transportation networks and trade, including modern technology for air traffic control, should be investigated and supported by our two countries.

FINANCE AND CREDIT

The lack of credit and financing is especially difficult for small to medium-sized Mexican businesses. What credit is available often carries with it very high interest rates. There is a reluctance to finance Mexican businesses among United States and non-Mexican lending institutions due to

lack of confidence in public registries and security devices which are not responsive to current commercial practices.

Until long-term confidence is re-established, United States and Mexican businesses may find partnerships and other ventures to seek financing to be useful alternative financing tools.

Initiated by several groups in Mexico, there exists a current effort to prepare recommendations for changes in Mexican business laws that could result in greater confidence among lenders. Law changes would strengthen the ability of Mexican businesses to secure their loans with inventory, accounts receivable and other types of collateral, and would modernize and harmonize the Mexican commercial registry.

Those groups include the National Law Center for Inter-American Free Trade of Tucson, Arizona, along with the Mexican National Association of Notary Publics, the Mexican National Association of Bankers, la Coordinadora de Organismos Empresariales de Comercio Exterior, and the Instituto Catastral y Registral del Estado de Sonora.

Additionally, innovative financing and audit mechanisms should be created to facilitate the private development of infrastructure that is traditionally provided by the public sector, such as the Border Environmental Cooperation Commission (BECC) and the North American Development Bank (NADBANK) are currently doing.

SOCIAL STANDARDS

Uniformity of practices to enhance opportunities for cross-border trade is an important goal of many of this Town Hall's recommendations. Education, labor, environmental and health standards should be made more consistent wherever possible. While environmental standards must be based upon local conditions, environmental regulatory procedures should be harmonized throughout the region.

However, the diversity of this five-state region is part of its strength and complete uniformity would be an unfortunate loss to the region. We must acknowledge our differences and accept them, value the similarities, and not take advantage of partnerships to impose standards on each other. We should strive to improve our own respective standards, quality of life and the value of our cultures.

Education is the most crucial area in which cross-border cooperation and coordination would benefit the region. It is the means by which higher standards can be promoted and maintained in all other areas. Schools on both sides of the border should strive for quality bilingual education at every level and implement cultural immersion programs for students and teachers as has been done by the New Mexico/Guanajuato and Nuevo Leon exchange programs. Reciprocal agreements between United States and Mexican universities are in existence.

The states in the region should prepare their citizens for participation in the global workforce. In this regard, they should support the efforts of schools, universities and other organizations to increase access to educational programs by satellite and to provide cross-national internships.

The region has a unique opportunity to develop a model of rural health delivery to diverse populations. The Texas-Mexico Authority is recommending health-related environmental standards. Cross-border training in medical practices and service models would help improve overall standards. Ways should be found to provide required medical equipment. And ultimately, an improved economy will raise the standards in all areas.

The region should also seek to make more uniform standards, training and enforcement of food processing and food-products production.

NAFTA side agreements regarding labor and the environment are to be implemented, and groups such as the North American Commission for Environmental Cooperation (NACEC) and the Border Environmental Cooperation Commission (BECC) are beginning to address environmental

issues. Federal funding from the US and Mexico is to be made available for environmental projects in the border region by the NADBANK (subject to BECC recommendation for approval). The private and public sectors in this border region should actively involve themselves in this new program, and the governments in the five state region should ensure that information about this program is effectively distributed to the business community in the region.

The Town Hall also recommends that attention be given to the development of reciprocal licensure and professional credentials where possible and appropriate so that individuals can more readily practice in either country. Professional and business associations should be called upon to review these issues and to make recommendations.

THE ROLE OF GOVERNMENT AND THE PRIVATE SECTOR

The Town Hall recognizes that there are different roles for the federal, state and local governments and the private business sector. To achieve the goal of improved cross-border trade, all groups in government, business and other sectors -- especially those at the highest levels -- should develop partnerships that meet regularly in both countries in regional town hall meetings to discuss common trade interests and their implications on the regional economy, and to further recommend and assess the progress of mutually beneficial solutions.

In the United States, the states have a critical role because of their accessibility to the private sector and their ability to influence national policy. Therefore, many of the recommendations of this Town Hall must be acted upon by state, local and Native American (indigenous) policymakers. In contrast, the federal government of Mexico plays a predominant role, developing trade and economic policies. To facilitate border trade, the Mexican government should be encouraged to grant more decision-making power to its border-state governments.

In addition, Mexican states such as Chihuahua and Sonora have created a commission composed of representatives of the three levels of government to coordinate their efforts to develop trade. The commission is called COMPEX (Comision Mexita Para la Promocion de las Exportaciones). Focus should also be placed on finding ways to partner with and include in discussions and activities Native American (indigenous) tribes from across the region.

The private sector's responsibility should include a more aggressive pursuit of business opportunities within the region, creation of wealth and jobs, and promotion of services and quality products.

The private sector is also a key element in the development and implementation of government policy in trade matters.

SPECIAL OPPORTUNITIES

The Town Hall also identified other opportunities that could be utilized to improve cross-border trade.

It is recommended that one way to breakdown barriers is through professional development in cultural and diversity training which will enhance desire, interest and sensitivity among businesses to understand and work within the language, culture and business practices of the two countries. Both Mexico's current receptiveness to trade, and the United States' recognition of the capabilities of its southern neighbors call for new positive attitudes and the desired elimination of perceptions which can limit success in cross-border trade. It is recommended that one way to break down cultural barriers is through sports, possibly the formation of a five-state sports council to promote sports exchanges.

The Internet and electronic bulletin board services are also recommended as a way to disseminate information about the region, its economy, tourism and other services.

CONCLUSION

Three major themes emerged from the Fifteenth New Mexico Town Hall and Regional Trade Town Hall.

First, to establish effective private/public partnerships, there must be mutual respect, effort and support by the public, as represented by local, state and federal governments, and the private sector, as represented by businesses and trade associations. The private sector must take the initiative and the public sector must lend support within the bounds of its responsibilities to the public.

Second, a regional effort is required to accomplish the regional goals described in this consensus report.

And third, all participants expressed an overwhelming desire for ready access to centralized and standardized information and other resources needed to accomplish these goals.