

# Economic Development and Innovation Scenarios at Ports of Entry

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Selected case studies of port of entry innovation  
(beta version)

Smart Border Coalition™  
Board Meeting  
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North American  
Research Partnership  
RESEARCH, OUTREACH & IMPACT ON GLOBAL NORTH AMERICA



# About Us

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- Independent, 501(c)(3) nonprofit applied research organization
- Focus on developing practical policy recommendations/new policy spaces.
- U.S., Mexico and Canada.
- U.S.-Mexico border specialists (borderwide approach)
  - Competitive Border Communities: Mapping and Developing U.S.-Mexico Transborder Industries
  - The U.S.-Mexico Border Economy in Transition
  - The State of the Border Report
- NAFTA for the Rest of Us Initiative (analyze how to broaden the benefits of trade, particularly for SMEs)

# Multiple Paths Forward

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1. Broadening the Concept of the Land Port of Entry
2. Technological Innovation
3. Bilateral Cooperation/New Paradigms
4. Improved/Streamlined Processes

# **Broadening the Concept of the Land Port of Entry**

# From Transborder Industries to Crossborder Clusters

- Main takeaways:
  - Border communities are not yet as connected economically as they should be.
  - Need to employ crossborder cluster-based economic development.
  - Ports of entry either hinder or help make this exchange happen.

## Competitive Border Communities

Mapping and Developing U.S.-Mexico Transborder Industries

By Christopher Wilson, Erik Lee, and Alma A. Bezares Calderón

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# Where do Cluster-Based Strategies Fit in to Overall Economic Development?



## Anti-Competition "Industrial" Policy

Definitions and policies vary, but at its worst, can be:

- Firm Specific
- Weakens Competition and thus incentives to improve
- Politically driven
- Inconsistent across administrations

Examples: Subsidies, Tariff Barriers, Negotiated tax incentives

## Cluster-Based Strategies

-Data reveals existing industrial clusters with roots (not politically driven)

- Industry/Cluster specific
- Pro-competition (seeks diversity and numerous firms competing within sector)

Examples: Specialized Education Programs, Industry Worker Training Programs, **Specialized Infrastructure (port, pre-inspection)**, Business-Regulator Dialogue, Joint Marketing

## Macro and Overall Business Environment Improvements (Cross-Cluster Strategies)

- Subregion, Region or Nation specific
- Pro-competition (robust business environment fosters competitive environment)

Examples: General Education, Responsible Fiscal and Monetary Policy, Trade Liberalization, Cutting Red-Tape, Simple Tax Code, General Infrastructure (overall highway network, broadband, etc.), Broad tax incentives

# Zones of Hope

Challenges and Opportunities  
in Improving U.S.-Mexico  
Border Economic Micro-Zones

Project Overview



# What is a Border Economic Micro-Zone?

- Commercial area within comfortable walking distance of certain U.S.-Mexico ports of entry.
- Unique, binational mixed-use zones with commercial, historical and cultural significance.
- Would have a unique definition in each community.
- Spelled out in national legislation + bilateral agreements.
- Would allow for comprehensive and strategic planning, public input and investment.
- Funding mechanism(s)?





# **Technological Innovation**

# U.S.-Mexico CEO Dialogue / Deloitte Cross-Border Connected Cities

## The CBCC Concept

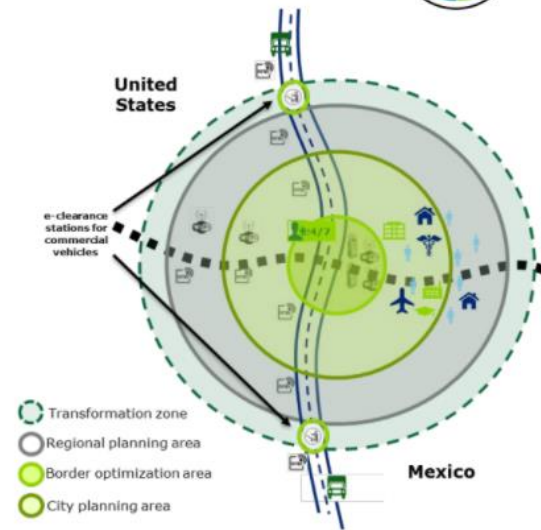


### The Cross-Border Connected Cities (CBCC) Concept

- Was developed by Deloitte/CISCO in 2014/2015, as part of US-Mexico CEO Dialogue
- Builds on **interconnected** nature of US-Mexico city-pair communities
- Utilizes **technology-enabled infrastructure** to meet needs of citizens on both sides of the border
- Brings together **coordinated investment** in pilot projects in the greater transformation zone

### The Border Dividend

City-pair communities joined by a SMART border will realize a "Border Dividend"—an economic return on targeted investments from improved services, security, and coordination. Example benefits include:



Broader Economic Development	Improved Mobility and Security	Broader Technology Access
Technology-enabled pre-clearance of goods and people can stimulate more enterprise growth nodes, increasing economic activity	Market-led "opt-in" information sharing can improve security and quality of life for communities	The technology infrastructure backbone (including the Internet of Things) expands access to ICT for new players
<b>Increased Job Creation</b>		
A transportation and trade hub with more efficient border crossings reduces congestion and increases the capacity for goods transport, increasing trade and cross-border shopping revenue. The technology infrastructure will create opportunities for IT-enabled businesses and services to flourish in border regions		

# **Bilateral Cooperation/New Paradigms**

# Unified Cargo Processing – Ambos Nogales (and beyond)

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- Unique background/circumstances for change on the ground
- Agreement between CBP and Aduanas for joint processing at Nogales-Mariposa POE
- Operations began in late 2016
- Other Arizona POES have adopted UCP paradigm
- CTPAT-registered companies can participate (~10% of trucks crossing at Nogales in high season, or 160 trucks).
- Wait times for participating trucks have been reduced from several hours to 20-30 minutes
- Environmental benefits to be studied winter/spring 2018.
- **New State/SAT MOU for further implementation?**

# **Improved IT/Processes**

# Main takeaways

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- The port of entry is a subset of economic development, not the reverse.
- There are numerous ways to boost the performance of border trade infrastructure beyond building additional hard infrastructure.
- Future of land ports of entry post-NAFTA?

# Thank you.

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