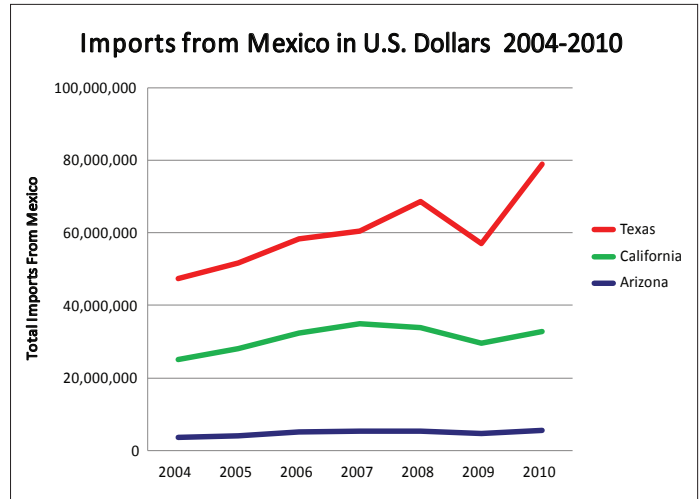


# ARIZONA'S OPPORTUNITY: ENHANCE TRADE WITH MEXICO

Mexico is Arizona's top trading partner. Our shared border is the gateway for \$26 billion worth of imports and exports and 44 million people (crossings) each year. Mexican visitors spend approximately \$7.3 million *each day* in Arizona, providing an annual impact of **\$2.3 billion**. In addition, there are tens of thousands of jobs in Arizona that rely on trade with Mexico.



Despite this wealth of opportunity, recent studies show that competing border states such as Texas are far outpacing Arizona when it comes to developing trade relations with Mexico. While Arizona exports to Mexico totaled about \$5.7 billion in 2011, in Texas the total was \$87 billion. With a population of 113 million, Mexico is the 13<sup>th</sup> largest economy in the world. In 2010, Mexico invested an unprecedented five percent of its Gross Domestic Product (GDP) in infrastructure.



**Immediate action is necessary to support Arizona's ports of entry with Mexico to be competitive with neighboring states, such as Texas.**

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## Border Resolution

Improving trade relations with Mexico and enhancing the flow of commerce into Arizona is the goal of a border resolution that has been supported by all of the Councils of Governments and all of the state's Metropolitan Planning Organizations throughout Arizona, as well as the League of Arizona Cities and Towns. The resolution calls for proactive support for infrastructure improvements at the Arizona ports of entry to improve traffic flow and increase trade between Arizona and Mexico. Issues being examined include increasing U.S. Customs and Border staffing; reducing commercial vehicle wait times; reducing the number of hours it takes to process rail cars through the border; and seeking dedicated funding sources for the Arizona ports of entry.



Mariposa Port of Entry in Nogales, Arizona

The Arizona Councils of Governments and Metropolitan Planning Organizations below support the resolution.



## State and Federal Efforts

Since the passage of the North American Free Trade Agreement (NAFTA), bilateral trade has grown exponentially, reaching a record high of nearly \$400 billion in 2010. Mexico is now the third-ranked commercial partner of the U.S. and the second largest market for U.S. exports.



Recently, Arizona Governor Jan Brewer announced the formation of the State Transportation and Trade Corridor Alliance to explore infrastructure improvements and economic opportunities at the border. This effort will be led by the Arizona Department of Transportation in conjunction with the Arizona-Mexico Commission.

The issue also is getting federal attention. The U.S. global market share of spending by international travelers has fallen from 17 to 11 percent. In January, President Obama signed an Executive Order establishing Visa and Foreign Visitor Process Goals and the Task Force on Travel and Competitiveness. The order seeks to develop a national travel and tourism strategy with recommendations for initiatives to promote domestic and international travel opportunities.

## Jobs, Jobs, Jobs

Trade with Mexico supports six million jobs in the U.S. and supports tens of thousands jobs in Arizona. A strong trade relationship with Mexico can help create high quality jobs within our borders.



## Infrastructure

While total trade between the U.S. and Mexico has expanded by more than 600 percent since 1990, ports of entry face significant challenges, including aging infrastructure and an often inadequate number of customs and border protection agents needed to staff them. A heavy focus on security has impacted the tourism industry by diverting investments from improving infrastructure, leaving a multibillion dollar deficit in border infrastructure. According to a report by the San Diego Association of Governments, inadequate infrastructure capacity at the border crossings between San Diego County, California, and the state of Baja, Mexico, results in delays that cost \$7.2 billion and more than 62,000 jobs each year.

While investments of \$200 million in expansion improvements to the Nogales port of entry are moving Arizona toward becoming a leader in international trade, no funding is allocated to improving the road at the Mariposa port. With 23 million northbound visitor border crossings, 373,000 northbound truck crossings, and 602 train crossings annually, long waits at the border suppress economic development. Greater emphasis is needed to upgrading northbound and southbound passenger vehicle and pedestrian crossings. According to the Arizona State University North American Center for Transborder Studies, needed enhancements include staffing, technology, infrastructure and communications.

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## Growing Business

Nearly half (43%) of all of the winter produce consumed in the United States comes through the Nogales port of entry. Along with produce, which makes up 28 percent of Arizona imports from Mexico, other major commodities include electrical machinery and equipment (18%); machinery and mechanisms (12%); edible fruits and nuts (11%); vehicles (6%); and optical, photographic and cinematic equipment (4%).

Major opportunities exist in the development of clusters of high-tech manufacturing facilities in Sonora, Mexico. Aerospace, defense and renewable energy are areas ripe for expansion opportunities. While Asia has had a competitive edge in skilled workers, in recent years Mexico's education system has improved, with universities graduating more than 90,000 students from engineering and technical schools on an annual basis.

Nationwide, Mexico is our second-ranked supplier of petroleum, while the U.S. in turn refines most of the oil that Mexico consumes domestically. For every dollar Mexico makes exporting to the U.S., it in turn spends 50 cents on U.S. products or services. In 2011, the World Bank ranked Mexico the easiest place in Latin America to do business (and 35<sup>th</sup> in the world). Goldman Sachs research on emerging markets estimates that the Mexican economy will become the world's fifth largest economy by 2050. Mexico has improved its competitiveness ranking by eight places, the largest such improvement in Mexico's history.



## CANAMEX Corridor

While one focus is on infrastructure improvements at the border, there is a bigger picture to consider. The CANAMEX Corridor Project is a multi-state effort to develop and implement a designated transportation corridor to link Mexico, the U.S., and Canada. Arizona is working with Congress to seek a designation of the Interstate 11 (I-11) corridor to Las Vegas, and potentially to destinations farther north into the Pacific Northwest. In Arizona, I-11 has been identified to replace U.S. 93 and includes the 152-mile Hassayampa freeway corridor west and south of Phoenix. Discussions are underway to extend the I-11 corridor to the Pacific Northwest and Vancouver, Canada, which may be a more appropriate route for the CANAMEX corridor.



Regardless of routing, completing CANAMEX as a super-corridor will result in a larger, more comprehensive transportation system that will provide a more efficient means of moving goods coming through Mexico to the entire U.S. and Canada. According to the ASU North American Center for Transborder Studies, the impact of trade and foreign investment on states in the corridor is significant, with more than two million jobs linked to trade.

## Major Freight Linkages, Including the Proposed I-11 Corridor

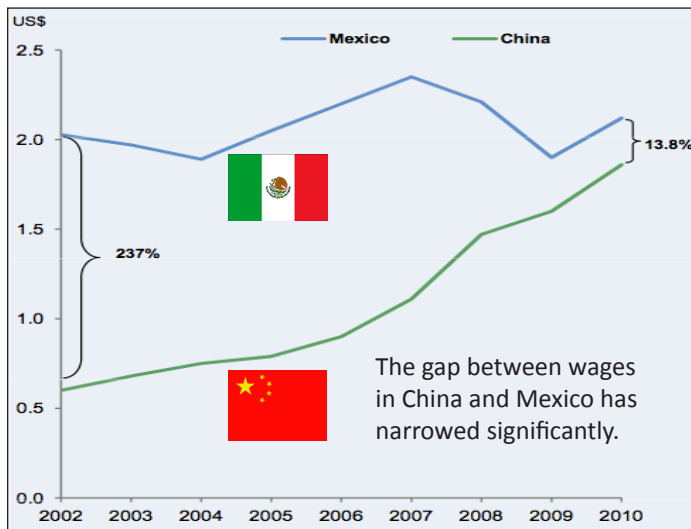


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## “Nearshoring”

In the past, low wages in China have been the strongest motivating factor for companies to move operations from the United States to Asia. But China's wages have risen sharply in recent months, closing that gap. Today, Mexican manufacturing wages are only 20 percent higher than in China. Due to cost savings in shipping, travel times, and global logistics, it may be cheaper for companies to keep production operations in Mexico. Mexico is a viable outsourcing destination for Arizona companies. One example would be the aviation and aerospace industry. The state of Sonora has 40 of the 260 facilities manufacturing aerospace parts in Mexico, which is the largest number of aerospace plants of any state in Mexico. The nearshoring trend will continue to provide cross-border trade opportunities with the state of Arizona and the state of Sonora, Mexico.

### Wages in the Manufacturing Sector



Source: Mexico Ministry of Finance

### Manufacturing Outsourcing Cost Index (% of U.S. cost)



Source: AlixPartners

## Call to Action

- Increase U.S. Customs and Border Protection staffing for the Arizona/Mexico ports of entry.
- Support highway and rail infrastructure that assists our Arizona/Mexico ports of entry and urge the State Transportation Board to focus resources on these projects for the economic vitality of Arizona.
- Improve infrastructure to reduce commercial vehicle wait times and to reduce the number of hours it takes to process rail cars through the border.
- Support the necessary planning to improve the global competitiveness for Arizona with Mexico.
- Seek dedicated funding sources for the Arizona ports of entry.

### Sources:

- Arizona-Mexico Commission
- Arizona State University North American Center for Transborder Studies
- *BizTucson 2012 Special Report*
- Maricopa Association of Governments
- Thunderbird School of Global Management



### For more information:

League of Arizona  
Cities AND Towns

1820 West Washington Street, Suite 200  
Phoenix, Arizona 85007  
www.azleague.org  
(602) 258-5786