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Building Business on the Border Regional Economic Development in the Southwest

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On December 13, 2006 the series *Economic Development Today* showcased a telecast on Building Business on the Border in the American Southwest. Four panels, including policy makers, scientists, academics, business leaders, and development practitioners from the private and public sectors, discussed the socio-economic issues related to regional economic growth along the United States-Mexico border.



This article features four communities that are linked together like a strand of pearls along the Southwest border; these communities include El Paso, Texas; Las Cruces, New Mexico; and Tucson and Phoenix, Arizona. The economic opportunities for the United States and Mexico depend upon a bi-national relationship for sustainable employment on both sides of the border. The public and private sectors of both nations are currently engaged in many efforts to enhance the flow of the goods and ideas

needed for successful cross-border commerce.

El Paso, TX

With a population of nearly 600,000, El Paso is the largest city in western Texas. Located to the north of the Rio Grande River, El Paso looks out its southern bank onto the Mexican city of Juárez, Chihuahua. The two border cities form a bi-national community of over two million residents and workers. One leader who has been instrumental in advancing technology-based development programs in this region is **Michael Acosta**. As the Director of the Border Office of the U.S.–Mexico

Foundation for Science at the University of Texas at El Paso, Mr. Acosta has been working to capitalize on the region's innovative technology sector.



The University of Texas-El Paso, explains Mr. Acosta, “plays a key role in the economic development of our region, not just in El Paso but as well as in Juarez and northern Chihuahua. The university president has been the visionary [improving the direction] that our university plays in the many roles of economic development. Not only in producing talent in academics and education but also in leading in research, especially providing technology transfer and technology commercialization in our area.”

“There's a lot of new opportunities and unprecedented endeavors that are collaborative in nature along the border,” notes Mr. Acosta. “Here in El Paso, we have a unique geographic location covering two countries: the United States and Mexico. This provides very unique opportunities for economic development both north and south as well as east and west.” Two notable border investments include the Paso del Norte Regional Packaging Cluster on Microsystems and Nanotechnology and the Bi-National Sustainability Laboratory.

The Paso del Norte Regional Packaging Cluster on Microsystems and Nanotechnology is a cluster that was started in El Paso in 2003, as a cluster of innovation. The cluster was formed in order to take advantage of the research that is being conducted in the region with the universities and with national laboratories. “Microsystems and nanotechnology is basically miniaturization, which we're seeing in all aspects of life these days and will continue to see in the future,” says Mr. Acosta. “This research covers all the universities in our region: throughout Juarez, Chihuahua, the community colleges, as well as the national laboratories that are right up the road in New Mexico. . . . [For example] we have started a business in Juarez and El Paso that will be fabricating microchips here within the next year. So that's a success story already that has come from our cluster as far as technology commercialization.”



In 2004, the U.S. Economic Development Administration awarded \$400,000 as seed funding to Sandia National Laboratories and the U.S.-Mexico Foundation for Science (FUMEC) to establish the Bi-National Sustainability Laboratory. **Dr. Paul Maxwell** is Executive Director and CEO of this new enterprise. The laboratory's mission is to focus on emerging technologies to create and implement economic development efforts within the entire U.S.-Mexico border region from the Gulf of Mexico to the Pacific Ocean.

The Bi-National Sustainability Laboratory is “looking to work closely with partners on both sides of the border,” states Dr. Maxwell. “We work closely with the University of Texas El Paso, Mexico's national science foundation, and other key institutions up and down the border.”

The laboratory helps guide and counsel the economic development in the region. As far as business challenges unique to the area, Dr. Maxwell notes that “it varies with each company or each business. Yet, often there are issues of understanding the culture of one country versus the other; understanding what the regulations and needs are of the country and their governments. But, mostly it's the question of communication: being able to work closely and link the resources in one country

with those of the other, so that you can take advantage of those resources and create the kinds of businesses we're looking for in our border region.”

One such group dedicated to helping the region’s business community surmount these challenges is the Camino Real Angels. **Ron Munden**, the group’s Co-Chairman and one of the founding members, has nearly 40 years of business experience in the computer industry, with the last twenty years focused specifically in the software arena. In addition to being an active civic leader, Mr. Munden helped start the EPV Group, a software development and services firm in 1999, and he continues to manage its business development and planning. Along with **Larry Peterson**, Vice President of NextTech, a technology investment banking firm and a founding board member of the Camino Real Angels, Mr. Munden leads a group of roughly one hundred citizens in all walks of life in El Paso that serve as advisors to the mayor and city council on issues related to cluster development in El Paso.



“Angel investors invest in the early stages of a company.” Mr. Munden points out, “so, it's a very risky thing to do. We're looking for companies that have great growth potential. High potential growth and being able to go after the market: that's basically what we're after so an angel can get a large return because they don't all pan out.”

While many investors may be trying to make the border region into its own technology cluster like those of the 1990s, Mr. Munden does not think that El Paso will become another Silicon Valley. “It will be its own type of cluster” he contends, “with advanced manufacturing and micro technology: all taking advantage of the research being done at the universities and at the national labs. The commercializing of that technology coupled with some of the other [investments] in the border region will produce great clusters for us.”

The key for the region’s continued economic growth is access to venture capital. The state of Texas, Mr. Peterson observes, has “made some great strides in supporting innovation and entrepreneurial ventures. The state established a fund called the emerging technology fund with \$200 million . . . that helps institutions like Texas Tech and UTEP to hire the best researchers in the world.” The state also provides \$100 million in funds to seven regional research centers. “One of those centers is in El Paso, and it's intended to serve the area,” explains Mr. Peterson. “It is a conduit of the technology fund, which is basically a state venture fund. It provides seed capital, prototype money, and some research funding as well.” On top of this funding, Mexico provides its states with venture funding that funnels down into the border, which adds to the overall sustainability of the region.

Las Cruces, NM

Traveling northwest from El Paso along the Rio Grande River, one comes upon Las Cruces, the second largest city in New Mexico, which also shares a border with Mexico on the state’s southern edge. Las Cruces is home to New Mexico State University – a key economic contributor to the region. The current dean of the College of Business, **Dr. Gary Caruthers**, served as governor of the state from 1987 to 1990 and has been involved in economic development opportunities his entire life. Dr. Caruthers is now responsible for such activities at the university level.

“The centerpiece for [economic development] activities at New Mexico State is the Arrowhead Center, which we developed initially just to commercialize intellectual property,” highlights Dr.

Caruthers. “We have a lot of intellectual property here at White Sands Missile Range and Los Alamos National Laboratory. And we wanted to create jobs and wealth in New Mexico. That's how we started. Then we discovered you needed much more than that. So we added workforce development; we added an entrepreneurship center. And as a combination of all those things we hope to be able to attract a lot of the high-tech engineering and science jobs that are being developed in New Mexico.”



Today, Arrowhead Center performs a wide array of services that contribute to the creation and expansion of myriad small businesses in New Mexico. “The arrowhead center was active in developing the marketing plan for the New Mexico Spaceport” roughly forty-five miles north of El Paso. Dr. Caruthers anticipates that “over the next 10 to 15 years that [the spaceport] will develop into an entirely new industry with 3,000 to 4,000 jobs involved. Our job is to anticipate what kind of workforce you would need to run a spaceport. Now spaceports are new, and as a consequence, we will be developing

strategies to understand what aerospace companies need. The Arrowhead Center is at the forefront of this development dialogue, asking, “What does the area need to develop future combat systems? What kinds of jobs are we going to have to have? What kind of training do we need to have for our young people?” Dr. Caruthers admits that “New Mexico and southern New Mexico have not done well in meeting that challenge. They've always been reactive. We in the Center want to become proactive.”

Another academic from New Mexico State University who has been intensively involved in research now generating investment opportunities is **Dr. Stuart Munson-McGee**. During his fifteen years at the university as a professor of Chemical Engineering, Dr. Munson-McGee has been active in both teaching and research. His research interests include materials processing, process development, and process modeling. His experiences highlight the intersection of the academic world and economic development.

“Faculty members like myself really are involved in economic development in two ways,” posits Dr. Munson-McGee. “On the ground we help local businesses in a variety of ways, like helping develop business plans, developing economic and feasibility studies: helping them get started.” But on the other hand, faculty “that are more in the engineering sciences and technology side have more of a tendency to work on the specific problems that a business might have and help them resolve those technical issues so they can move forward and become viable and successful.”

“I think the big challenge that we find historically as faculty members,” remarks Dr. Munson-McGee, “is that this emphasis on helping local businesses and economic development really hasn't been part of the academic challenge.” He credits New Mexico State University for its encouragement of faculty-commercial partnerships. “We're very fortunate that we don't have to convince our administration that we need to do [economic development]; they recognize that it's good, not only for us as an institution, but also for us as individual faculty members and the local economy as well.”

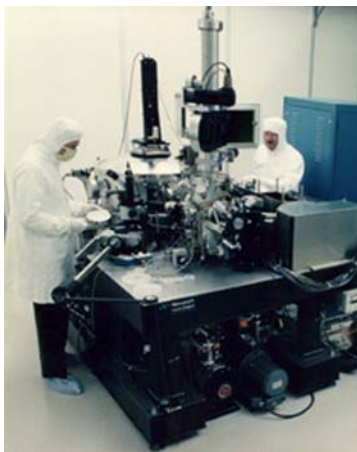


An important incubator for the region’s economic growth is the College of Engineering at New Mexico State University. The college “provides manpower and technology for all the companies that are growing and relocating in this area,” notes **Steven Castillo**, Dean of the College. Having been employed at White Sands Missile Range, NASA Johnson Space Center, and Bell Telephone Laboratories, Dean Castillo understands what employers are looking for in terms of highly-skilled workers.

However, before the college can produce a successful labor force, it must encourage the region’s youth to study the sciences. “The biggest obstacle,” says Dean Castillo “is one of attracting talent into the university. It’s an issue that faces the entire country and it’s been identified in various reports that have come out from the National Academies. And getting kids to take the right classes, getting them to recognize the opportunities that math and science and engineering have for them . . . is really a huge challenge for us. In particular, here in New Mexico we face a lot of challenges with some of the social and economic barriers that our kids have here, such as single-parent families, substance abuse and so on. So we have to partner closely with our public education system in broadening the pipeline, getting kids to recognize what those opportunities are before them, so we can pull them into our higher education system and push them on into the workforce.”

Sandia National Laboratories is one such employer that capitalizes on the talent coming out of the university. Sandia is a government-owned/contractor operated facility that seeks collaborative partnerships on emerging technologies. Sandia’s mission is to meet national needs in five key areas: nuclear weapons, energy and infrastructure assurance, nonproliferation, defense systems and assessments, and homeland security. While Sandia Labs is primarily based in Albuquerque, its Frontier Group works along the U.S.-Mexico border. Leading the group’s research and development initiatives is **Dr. Vipin Gupta**, a senior member the Solar Technologies Group. His projects include new homeland security technologies, advance solar technology for clean and affordable electricity generation, and bio fuel concepts. In addition to his current research work, Dr. Gupta was part of the advance concept team that originally conceived the Bi-national Sustainability Laboratory.

“Sandia’s vision,” describes Dr. Gupta, “is to help the nation secure a peaceful and free world through technology. Now to do that our country not only needs better guns and shields, we also need technologies to enhance prosperity and well-being. At Sandia, those include micro machines, robots, renewable technologies, water purification technologies, and efficient lighting systems.”



Although the laboratories work on a national agenda, Sandia utilizes the workforce and geography unique to southern New Mexico. “We try to capitalize on the research, talent, facilities, and test ranges that exist along the U.S.-Mexico border that we simply do not have at our laboratories,” notes Dr. Gupta. “We use those resources in order to prototype and perfect technologies for primetime use. Now we’re a research and development laboratory so we don’t mass produce any of these technologies. So that leaves the second thing that we do: nurture the business and research environment so that entrepreneurs can [further develop] the patents we produce, license them and create fast growth business enterprises.” Sandia works closely with industry, small business, universities, and government agencies to bring new technologies to the marketplace.

Sandia is dedicated to strengthening the regional economy by helping to improve and expand opportunities for small businesses. In particular, Sandia's New Mexico Small Business Assistance Program provides the state's small businesses with assistance to help resolve specific technical and business problems. Technical assistance is provided by Sandia staff and other partnerships that offer many of their services free of charge to the small business community. Like the Arrowhead Center, Sandia National Laboratories is a vital engine for the border region's economic development.

Tucson, AZ

Sixty miles north of the Mexican border sits the city of Tucson, the largest city in southern Arizona, and home to a dynamic and increasingly bi-national community: over one-third of the area's residents are Hispanic. Today, many different actors are coming together to help foster a flourishing cross-border economy in this region. However, in order to achieve success, American companies must not only learn how to adapt to a differing culture, but also to a different set of business statutes in Mexico.



Helping companies bridge the legal divide regarding cross-border issues is **Boris Kozolchyk**, Director and Founder of the National Law Center for Inter-American Free Trade. Dr. Kozolchyk, who has an extensive background in the legal framework surrounding business on the border, founded the center in 1992 with a mission to develop the legal infrastructure to build trade capacity and promote economic development in the Americas. The Center, which is affiliated with the James E. Rogers College of Law at the University of Arizona in Tucson, has worked closely with the public and private sectors on legal reform and development of best business practices.



“The underlying premise that governs the legal system on the Mexican side of the border, is one in which the *law forbids*, whereas on the [U.S.] side of the border, the legal framework is grounded in the premise on that which the law does not expressly forbid, the *law allows*,” explains Dr. Kozolchyk. From the start, such a premise presents obstacles for American businesses: “licensing is much more complicated, the taxation system is more complicated. The requirements to set up whether it is a partnership, a limited liability company, a corporation, which are the typical forms of setting up businesses there and [in the U.S.] are quite different.”

“But the key obstacle,” emphasizes Dr. Kozolchyk, “is not so much legal per se but structural in that there is a lack of credit: the lack of credit for small and medium-sized businesses on the Mexican side of the border.” This void creates an uncompetitive system that saps innovation in the region, which is in reality derived from a competitive marketplace. And, while there is a growing awareness among the American legal community to understand the complexities of engaging in cross-border business, this is not the case on the Mexican side. Only through an increased dialogue, fostered by organizations such as the National Law Center, can a truly bi-national economy bear fruits for both countries.

Similarly, the Puerto Nuevo Office, a transportation and logistics firm based in Tucson, is supporting Southern Arizona's growth as a regional and global marketplace with direct ties to Mexico. **Augustine Garcia** is the founder and Director of the Puerto Nuevo Office. By providing

commercial services for easier trade access, cost-effective manufacturing, and warehousing, Mr. Garcia is leading an effort to transform Tucson into a thriving commerce center and inland port with multiple facilities throughout Southern Arizona.

Puerto Nuevo acts as a distribution and logistics hub facilitating the free and competitive flow of regional and international trade between the U.S. and other markets, such as Mexico, Latin America and the Pacific Rim. The explicit mission of the office is to “facilitate the movement of global trade through the region via improved transportation infrastructure and logistics services, increasing access to markets and promoting economic development throughout the region.”

One of the main challenges to economic development that the border region faces in the near term, echoes Mr. Garcia, is “the recognition on the part of both businesses and communities to recognize the opportunities to competing in the global economy. I don't think that our businesses are prepared to do it, and I don't think that our communities recognize the need to prepare ourselves to do that. We need to get our companies to start thinking globally; we need to prepare those companies to start acting globally; and we need to facilitate operating globally.”



The Puerto Nuevo Office sees expanded partnerships as the key to creating a healthy global marketplace. “What we've done is taken our relationships and expanded on them: we call them economic alliances,” explains Mr. Garcia. “So we have economic alliances going from here all the way to Guadalajara, [Mexico], communities along the border of western Mexico – the port of Mazatlan, the city of Nogales. We see those alliances growing, in addition to the creation of alliances with [U.S.] communities along the east-west corridor.”

Yet, Puerto Nuevo’s message of economic alliances is still taking root within the region. “I feel like Sisyphus pushing that rock up the hill every day,” admits Mr. Garcia, “because I think that there is no recognition amongst the American public for the need to act and operate globally. We need to understand how to become involved. And so programs like this – and communicating it to the public – will get communities working together and developing an infrastructure for communicating this message.” As a result of increased manufacturing of products abroad, he contends that American businesses must look for innovative ways to create wealth within the United States. “What's happened is that transportation logistics is a top ten growth industry for job creation in the area. They were manufacturing off-shore, so [freight management] is a new opportunity and a new economic engine that will be available for [U.S.] communities.” Mr Garcia predicts that as this network of suppliers and distributors grows, the region will experience an upsurge of capital investment at the local level.

Tracking such economic trends along the U.S.-Mexico border is Vera K. Pavlakovich-Kochi, the Director of Regional Development Programs, in the Office of Economic and Policy Analysis, and adjunct faculty in Department of Geography and Regional Development at the University of Arizona. One of her primary research interests includes regional economic development in the Arizona-Sonora region with emphasis on the role of institutions and cross-border alliances.

Serving as the editor of the *Indicators* report, Dr. Pavlakovich-Kochi developed an original set of cross-border economic indicators for the region. In 1993, Arizona and the state of Sonora, Mexico, which shares the international border with Arizona, undertook a formal model for regional development, starting with a process of strategic economic development vision for both states. As an integrated economic region, she notes that both



states “have specific goals, particularly to work together to increase the region's competitive markets, facilitate ideas across the border, and improve the quality of life of all residents. A set of indicators were designed to measure the progress toward those goals. The whole process was very much supported by the governments of both states.” Led by the Arizona-Mexico Commission in partnership with its sister organization, Comisión Sonora-Arizona, and the universities in Arizona and Sonora, this bi-national program is designed to help policy and decision makers measure performance and set their region’s development agenda.

The report stresses collaborative opportunities, rather than competitive advantages, between the two countries. “The most unique feature is the fact that we look at Arizona and Sonora as an integrated economic region. There are other indicators developed in other border regions, but none actually looks at a region across the border.” Nevertheless, Dr. Pavlakovich-Kochi also studies how her region compares to other regional economies. “The point is not to look at absolute changes [in the Arizona-Sonora region], rather to give a sense of how does this region do compared to the other regions? Does it grow at the same rate? Does it grow slower or is it faster? Of course, particularly we are interested in looking at those areas where it seems that our region lags behind the trends and pointing this out to the policy and decision makers.” The *Indicators* report is presented annually to the governors of Arizona and Sonora for consideration of the findings and recommendations in their strategic planning.

The report also acknowledges economic areas where the region needs to improve. Dr. Pavlakovich-Kochi notes that the latest findings point to three main themes: “First of all is the emphasis and reevaluation of the cross-border industry clusters. This is an idea from the early 1990s, but it needs to be reevaluated within a new set of conditions. The second is to work and improve the region's economic foundations, particularly its knowledge-based economy. The third area is to continue improving the border ports of entry because they play a crucial role as one of the NAFTA gateways.” While she admits that her region lags in these areas when compared to the entire U.S.-Mexico border region, Dr. Pavlakovich-Kochi is hopeful for what the future holds. “Our major advantage will really be the proximity between the two states, a long tradition of cross-border relationships, strong economic ties, and opportunities for collaboration in high technology.”

As Dr. Pavlakovich-Kochi noted, the Arizona-Mexico Commission (AMC) has advocated for informed policy decisions for the region based on these economic indicators. The AMC facilitates cross-border trade, business and community networking, and bi-national information sharing. The commission consists of several hundred public and private sector leaders from throughout Arizona, including state agency directors, business leaders, legislators, and other professionals from all aspects of business and public service. The AMC's mission is to improve the economic well-being and quality of life for



the residents of Arizona through a strong cooperative relationship with Mexico and Latin America.

One AMC member eager to take advantage of Arizona's promising regionalism is **Victor Gonzalez**. As the Director of Economic Development for the City of Douglas, Mr. Gonzalez works directly with his community's businesses and stakeholders to encourage a regional dialogue. Douglas, which sits directly north of the border between Arizona and Sonora, hopes to benefit from the increasingly linked economies. Mr. Gonzales has been actively going out and speaking with the local business community in order to see how to best position Douglas. What he found as the biggest challenge to the growth of his city of 17,000 people was not business attraction, but business awareness in the region. Local towns, he notes, must be proactive in order to capitalize on the area's bi-national economy or they risk being left behind.

"In the next five or ten years we want to be a player in international trade in terms of being the hub for trade in commerce. At the same time we see ourselves as a community that provides entrepreneurship. . . . We've established a program that provides one-on-one assistance [for small business innovation]. So while we're working on increasing the overall market and capacity for trade in the community, we also want to provide support for the local companies."

Mr. Gonzalez realizes that there "are still many things we need to do as a community to feature Douglas on the map. We're fortunate enough to be located between two great border communities – Nogales [Arizona] as well as El Paso. I really see creating strategic alliances as the key to Douglas's success." Once these regional partnerships have been fostered, Douglas should be in a better position to leverage its status as a border city and, therefore, compete for a greater share of businesses that rely on the dynamic economy supported by the United States and Mexico. "Partnerships with the border communities and especially with Nogales since it is roughly two hours from Douglas" will position Mr. Gonzalez's city as a significant player in the region's growing economy.



As Arizona's largest international border town, Nogales is looked on by many communities, both north and south of the border, as an essential partner for growth. Having over 20,000 residents and serving as the major transportation junction between U.S. Interstate 19 and Mexican Federal Highway 15, Nogales is literally at a crossroads in terms of becoming a global gateway for commerce. But far too long, contends newly-elected Mayor **Ignacio Barraza**, "policy decisions have been made from the top and pushed down with very little

regard to what the overall constituency or the business community is involved in. One of the approaches I took through campaign and most certainly plan to put into effect upon being sworn in is that we need to establish a direct line of communication with the private sector, with the business community as well as your everyday [citizenry]. The line of communication needs to be established in order for there to be any significant economic change in Nogales."

In order to meet the staffing demands of the region's burgeoning companies, Mayor Barraza maintains that higher education should be a cornerstone for his city's workforce development strategy. "I believe that it's going to be up to the city of Nogales and Santa Cruz County to further broaden [educational] access. In other words, we need to start looking at the creation of vocational schools," asserts the mayor. "We need to look at establishing our own community college. We need to look at approaching the University of Arizona in the hopes of trying to establish a satellite campus

in our community. These are things that have certainly increased the dynamic in other communities and I don't see that not being something that's achievable in Nogales.”

Mayor Barraza recognizes the symbiotic relationship that his city has with the entire border region. “We need to view development – whether it is in the areas of infrastructure or economy or policy – we need to view it on a regional level. I can no longer just focus on what is best for Nogales, because ultimately if the region does well, Nogales does well. So we'll be reaching out to Santa Cruz County in the hopes of creating a regional partnership to ultimately galvanize and create a metro government of sorts.”

And much like Victor Gonzalez, Mayor Barraza sees tremendous value in partnering with neighboring cities. “I think it's extremely important that we reach out to communities such as the city of Tucson, Douglas, San Luis. . . . I plan to embark on a good will tour throughout the entire southern Arizona region in order to establish a line of communication and dialogue with my counterparts. And for that matter, anybody who is willing to sit down with me over a cup of coffee and listen to my thoughts on how we can create these very regional integrated alliances, which will in the end assist each of our communities respectively in their economic development efforts. There should no longer be a philosophy of, ‘I'll take care of my own house while you need look after yourself.’ We need to be good neighbors. We need to look after each other.”



Phoenix, AZ

The final pearl along this strand of bi-national communities is Phoenix, Arizona. Ranked sixth in the United States for total population size (roughly 1.5 million), the city serves not only as the state’s capital but also as a center for the region’s explosive growth – the 2006 Census reported that Phoenix added more people than any other city in the nation. Although Phoenix is located 150 miles north of the Mexican border, the city still closely shares both cultural and business ties to Latin America, which is reflected in the fact that one out of three of the city’s residents is Hispanic. However, Arizona has also been looking to the north to expand its capacity as an international hub between Mexico and Canada.



Following on the heels of the North American Free Trade Agreement (NAFTA), which mutually eased trade restrictions and tariffs for the United States, Mexico, and Canada, several of the western states realized that a comprehensive and coordinated plan was needed to maximize the economic potential along the highway system connecting the three countries. In 1995 – one year after the establishment of NAFTA, the CANAMEX Corridor Project was launched to support the commercial route from the Mexican border at Nogales, Arizona, through Las Vegas, Nevada, to Salt Lake City, Utah, to Idaho Falls, Idaho, and through Montana to the Canadian border. Selected as a High Priority Corridor by the National Highway Systems Designation Act, CANAMEX is a joint project of Arizona, Nevada, Idaho, Utah and Montana.

“The basic premise” explains **Marissa Walker**, Executive Director of CANAMEX, “is to be able to strategically think about transportation investments to stimulate economic development activity and jobs in region.” In addition to enhancing safety and efficiency within the corridor, CANAMEX, which is based in Phoenix, includes transportation, commerce, and communications components. The

transportation component calls for the ultimate development of a continuous four-lane roadway from Mexico through the U.S. CANAMEX states, into Canada.

“Organizationally, CANAMEX is advanced, and priorities are identified and executed at several levels. One is at a multi-state level. The governors in the five states designate public and private sector individuals to oversee a multi-state coalition. In the State of Arizona,” underscores Ms. Walker, “the governors for the past several years have taken a very aggressive and broader view of its potential and designated task forces with statewide representatives from all the various communities that include agency heads from commerce, tourism, transportation, homeland security, and even information technology.”

“We realize there is never going to be enough money for infrastructure, so we’re focusing in on technology to help us better utilize existing facilities,” observes Ms. Walker. CANAMEX has created of a "Smart Corridor" plan that is focused on creating a platform for the partner states to operate on a shared Intelligent Technology Systems (ITS) that would enhance the safety and efficiency of the Corridor for both freight and tourists. By providing information to the public, enforcement agencies, and to emergency medical, fire, and hazardous material teams, the proposed ITS system would further integrate the region as a whole. Ms. Walker points out that this initiative would also provide service information to commercial vehicle operators and motor carriers either over the Web at strategically located truck stop kiosks or through in-vehicle systems that may be implemented as a result of public/private partnerships.

“CANAMEX is extremely important because it is our north-south connection,” maintains **Gail Lewis** Policy Advisor for the Transportation and International Affairs Office of Arizona Governor, Janet Napolitano. “As a trade corridor it really enables NAFTA to come to life and fulfill its promise for trade between the three countries. Traditionally, most of the infrastructure in the U.S. has been focused on east-west trade. We’re making sure we have adequate transportation to move goods north and south. So this puts Arizona at the crossroads between east-west and north-south commerce and that puts us in a very important economic position.”



Prior to joining the Governor’s Office, Ms. Lewis spent ten years as the Director of Economic Development for Arizona State University, developing the university’s first economic development office. Having also served as a senior advisor in the Mayor’s Office for the City of Phoenix, Ms. Lewis understands how a strong regional network, along with commercial linkages, can support a local community’s economic growth. Yet supporting a multi-state and multi-national effort is more of a challenge admits Ms. Lewis. “We really have some things in common to accomplish. Arizona and Montana, for example, are very different states with different kinds of economies, and they are relatively far away from each other. So finding the kind of transportation and economic development connections that keep us focused and working together has been the biggest problem we’ve faced.” Stakeholders from all sectors of the communities will need to be informed and engaged in order to create successful regional alliances.

Former CANAMEX Board Member, **Luis E. Ramirez Thomas** has dedicated an extensive amount of time, both personal and professional, to fostering better relations with Mexico and Canada. As the president of Ramirez Advisors Inter-National, LLC, Mr. Ramirez possesses over eighteen years of

experience on U.S.-Mexico border issues, North American and international business relations, and governmental affairs.

Mr. Ramirez plays a leading role in the Border Infrastructure Initiative: a coordinated strategy sponsored by the Arizona-Mexico Commission. Recalling its inception, Mr. Ramirez notes that the initiative began in response to a challenge presented by Governor Napolitano. “The governor challenged us to see that we need to have a song sheet from which we can help identify what our border infrastructure needs are, what we need, how much it will cost, and how we're going to pay for it,” says Mr. Ramirez. The project lays the foundation for economic development by addressing infrastructure deficiencies along Arizona's border.



The initiative also produced the Border Infrastructure Project (BIP) online database, which assists communities in advancing projects and consolidates Arizona's border infrastructure needs for funding prioritization. “We've created a single point of information that identifies all our port of entry projects from Douglas to San Luis,” explains Mr. Ramirez. “We've identified the border infrastructure needs for the ports of entry by starting on the U.S. side of the border: the federal inspection facilities, the entry and egresses to those ports.” The long-term goal of this project is to provide a “fully bi-national tool that [analyzes] – from the point of origin in Mexico through the port of entry on the U.S. side – what [resources and technology] we need, asking ‘how do we interconnect with the federal highway system’? So we're building a process to identify needs in terms of infrastructure and then going about getting it.”

Helping to make the southwest region a premier commercial corridor is the Honorable **Russell Jones**, who represents Arizona's 24th District in the state legislature. Professionally, he is president of R.L. Jones Custom House Brokers based in San Louis, Arizona. His firm supports companies in the areas of customs imports, Department of Commerce exports, freight forwarding, warehousing, logistics, and information technology.

From both a political and commercial standpoint, Rep. Jones has witnessed a marked improvement between the business relationships of the United States and Mexico. “I think that since the inception of NAFTA and the gradual assimilation of U.S. banks operating in Mexico and Mexican banks operating in the United States, [doing business on the border] has become easier,” observes Rep. Jones. “Programs have been put together to try to assist the small to medium-sized businesses, and people are getting more used to it. We're seeing more small and medium-sized entrepreneurs engaged in selling actively into Mexico and/or moving down into Mexico to manufacture.” American companies seeking exposure at the local level in Mexico will many times enter into a “shelter program,” which allows them to go through a subcontractor. Generally, the shelter contract supplies all the materials and equipment to a second party based in Mexico. The Mexican subcontractor then provides the facilities and labor, as well as manages the bookkeeping and import-export requirements.

Businesses on both sides of the border begin to learn from each and share best-practices through their commercial relationships. In terms of workforce development, asserts Rep. Jones, “the United States could take a lesson from Mexico and learn a lot. Once they finish secondary education in Mexico, they have vocational schools that do site specific and industry specific general training. So there is a very comprehensive vocational training program in Mexico financed by the federal government to

provide the workforce. In the United States, where you're trying to find IT personnel, accountants, and engineers, Mexico is graduating those [professionals] at a much faster rate and, frankly, it costs a lot less.” Rep. Jones warns that United States needs to prepare its workers to be better suited to communicate in the international and bilingual marketplace. “These are very well-educated people, and since Mexico requires that everyone take English all the way through elementary school and secondary school, they may not be absolutely fluent, but their comprehension and communication skills are sufficient.”



Additionally, American companies looking to grow their businesses across the border should take note of the higher social and health benefits afforded to Mexican workers. “One area that's particularly difficult for American-born entrepreneurs going into Mexico to understand the complexities of the labor law,” stresses Rep. Jones. “First off, your cost is going to be higher because a lot of what we call ‘extra benefits’ in the United States [are guaranteed] in Mexico.” Employers are required by law to provide vacation, seniority benefits, Christmas bonuses, severance pay, and full medical plans. “There are certain employee deductions for it, but it's about a 40 percent of the load in Mexico over and above what companies pay for their hourly wage or salary. One of the most important professionals that you'll have work for you will be your human resources person that is knowledgeable in Mexican law and labor law.” Rep. Jones illustrates that no matter what type of industry a company may be engaged in, the most critical success factor could be the need for informed communication.

The regional partnerships that are creating a successful economy along the Southwest Border, and beyond, owe much to the open and free-flowing dialogue supported by the region's myriad organizations and stakeholders. While the cities of El Paso, Las Cruces, Tucson, and Phoenix reflect the larger pearls along this strand of economic activity, they also represent the cooperative efforts of the entire region toward innovative and sustainable development.

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This telecast was moderated by Matthew E. Crow, Deputy Assistant Secretary for External Affairs and Communications, U.S. Department of Commerce. It may be viewed in full on the EDA website at: www.eda.gov/NewsEvents/WebCastsVideos.xml.

If you have any questions on the telecast series or ideas for future telecast topics, please contact its producer, Peggy Tadej, Director of Research and Grants, NARC, at 202.986.1032 ext. 224 or tadej@narc.org.

