

IMPROVING SECURITY AND FACILITATING
COMMERCE WITH MEXICO AT AMERICA'S
SOUTHERN BORDER

HEARING
BEFORE THE
SUBCOMMITTEE ON
THE WESTERN HEMISPHERE
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRTEENTH CONGRESS

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IMPROVING SECURITY AND FACILITATING COMMERCE WITH MEXICO AT AMERICA'S SOUTHERN BORDER

MONDAY, DECEMBER 9, 2013

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:18 a.m., at Tucson City Council, City Hall, 255 West Alameda Street, Tucson, Arizona, Hon. Matt Salmon (chairman of the subcommittee) presiding.

Mr. SALMON. A quorum being present, the subcommittee will come to order. I am going to start by recognizing myself and the other members to present our opening statement, and then I will present the rules of the hearing and yield time to our witnesses.

Good morning, and welcome to this hearing on our vital commercial relationship with Mexico and what we can do to enhance the flow of commerce while maintaining security along the southern border. I would like to give a warm welcome and personally thank Albio Sires, who is our ranking member on the subcommittee, for braving the scary skies right now this time of year with all the weather patterns across the eastern seaboard, and appreciate the fact that he was able to get here. I know he had some real difficulties, so thank you for taking the time.

I would like to thank my colleagues from Arizona, Ron Barber, Kyrsten Sinema, and David Schweikert, for attending this meeting. I believe it is one of extreme importance to the State of Arizona, and particularly here in southern Arizona.

The chairman of the full committee, Ed Royce, was going to be here, but his airplane, because of the weather across the country, got cancelled last night, and he sends his profound regrets. But he has been incredibly supportive of the Subcommittee on the Western Hemisphere, and I appreciate his trust in asking me to chair this subcommittee. I knew immediately when he asked me to chair this subcommittee that I wanted to focus on the growing trade and investment opportunities that exist throughout the western hemisphere. I pay particular attention to potential energy independence and security in North America. Thanks to our own energy renaissance and increased production in Canada, I have been pushing the Obama administration to finally approve the Keystone XL Pipeline, which promises to create jobs while making us less dependent on

energy from areas around the world that are less friendly to our interests.

Right now, Mexico is debating meaningful energy sector reforms, reforms that would open up their energy sector to private investment through a constitutional amendment. If passed, and most experts believe that it will, Mexico will be able to realize its real production potential, making North America—the U.S., Canada, and Mexico—truly energy self-sufficient. Mexico is moving ahead with reforms in the education and telecommunications sectors as well. Reforms in Mexico, including judicial reforms, are significant steps the Government of Mexico is taking to improve its economic landscape.

As you all know, the economies of the United States and Mexico are deeply intertwined, linked by geography, cultural ties, and the North American Free Trade Agreement. Since NAFTA took force nearly 20 years ago, the stock of bilateral foreign direct investment has increased six-fold. In 2012 alone, bilateral trade in goods and services between our two countries topped \$½ trillion. Our economic partnership with Mexico has the potential to play a key role in strengthening supply chains and boosting exports to the rest of the world.

Our production-sharing relationship with Mexico is important to understand. Indeed, 40 percent—that is right, 40 percent—of the value of all U.S. imports of final goods from Mexico actually come from materials and parts produced in the United States. This means that approximately 40 cents out of every dollar U.S. consumers spend on Mexican imports actually goes to United States' companies and workers. This is a direct result of production sharing that is made possible and enhanced by proximity and cultural ties with our Mexican and our Canadian neighbors.

The same cannot be said for goods coming from anywhere outside of North America. For example, U.S. imports from China have an average of only 4 percent U.S. content as compared to the 40 percent figure I mentioned with Mexico. Exports to Mexico from the great State of Arizona have increased by 225.2 percent since NAFTA took force. And Arizona is the sixth largest exporter of goods to Mexico among all the States in the Union.

Mexico is Arizona's top trading partner with upwards of \$13 billion worth of trade crossing our shared border each year, and Mexican visitors spend over \$7 million each day in Arizona translating to \$2.3 billion annually for Arizona and tourism from Mexico. It is clear that in terms of job creation and economic opportunity for Arizona and the country, our relationship with Mexico and, of course, Canada is vital.

The good news is that our commercial relationship with Mexico continues to grow. The bad news is that our ports of entry face significant challenges keeping up with this growth, resulting in wait times along the border that cost an average of \$7.2 billion a year.

The September 11th, 2001 attacks on our country, coupled with the costs of illegal immigration, particularly on the border States, forced the United States to reevaluate border management, meaning needed security improvements have often been made at the expense of maintaining efficiencies. I convene this hearing today specifically to get at what we need to do both in the public and private

sectors to improve border infrastructure to better facilitate trade without letting down our guard on border security efforts.

The United States is already partnering with Mexico on security through the Merida Initiative, a partnership that I support strongly. While Mexico has made important commitments to security along our border, the United States must continue pressing Mexico to step up efforts to address violence among the most dangerous parts of our border by increasing Mexican deployments able to conduct joint patrols with the U.S. Border Patrol. It is important that we not lose sight of the serious security concerns that continue to plague Mexico.

Efforts to further secure our border can and should be achieved without hampering better and more efficient flows of commerce across our various ports of entry. Border security and efficient flows of commerce need to be mutually conductive efforts. Working to pass pro-trade policies that include—excuse me—that improve our important economic relationship with Mexico and serve to benefit both our economies should be a major goal for all Members of Congress, regardless of their political party.

Here in Arizona, we know trade, particularly with our North America partners, is not a partisan issue, and I am so pleased that my Democratic colleagues are joining me here today for this bipartisan hearing. I would like to make a side note. This is my second time serving in Congress, and I have got to tell you I have never seen a more cohesive, friendly, let us get things done kind of attitude delegation. I mean that across the board with our Republicans and our Democrats. I believe that we have a very, very good relationship. And though you are hearing a lot through the media that the partisan rancor on Capitol Hill is at an all-time high, I am pleased to say that we actually, from our delegation, are friends and we work well together.

I am disappointed that due to the weather delays, Assistant Secretary Alan Bersin of the Department of Homeland Security could not be with us today, but I would like to ask for unanimous consent that one of our staff members, Mark Walker, would be allowed to read the entire testimony. I believe it is very, very valid. So without objection, so ordered.

Secretary Bersin has been involved in the important negotiating agreements with his counterparts in Mexico that will improve security and commercial flows along our southern border. His testimony is an important component of this hearing. And in addition, Secretary Bersin will be making himself available to answer questions from the members at a date to be determined in Washington, DC.

I am also grateful for our distinguished panel of private witnesses: Mr. Eric Farnsworth of the Council of the Americas, Ms. Lea Márquez Peterson, president and CEO of the Tucson Hispanic Chamber of Commerce and a rising star not just in Arizona, but I think here in the United States. I am pleased to have Mr. Glenn Hamer, president and CEO of the Arizona Chamber of Commerce and Industry, a dear friend and a great leader, Mr. Timothy Hutchens, executive vice president of the Federal Lessor Advisory Group, and Mr. Christopher Wilson from the Mexico Institute at the Woodrow Wilson Center.

I would now like to recognize my dear friend, and colleague, and ranking member of the subcommittee, Mr. Sires, for his opening remarks.

Mr. SIRES. Well, good morning, everyone. Chairman, thank you very much for inviting me. I cannot think of anybody better to serve with in Congress than my colleague as chairman here. This is my second time in Arizona. I have been to the golf courses in Scottsdale, but they tell me that the golf courses down here are more beautiful. [Laughter.]

It is beautiful here, so I am looking forward to this hearing.

Good morning, and thank you to our witnesses for being here today. The U.S. and Mexican bilateral relationship is critical to the economic and public security of both nations. Unfortunately, it also has to be amongst the relationships most taken for granted and least appreciated in U.S. foreign policy. This is in spite of the fact that our nations share a vast history, common values, and a nearly 2,000-mile border. The U.S. is Mexico's largest trading partner and largest foreign investor. Mexico, in turn, is the third largest U.S. trading partner after Canada and China.

In 2012, combined annual trade between our two nations was \$494 billion, and since the North American Free Trade Agreement took effect in 1994, U.S. trade with Mexico has increased over 500 percent. Additionally, Mexico-U.S. migration remains today the largest bi-national migration in the world. These statistics are significant and set the backdrop for today's discussion on improving security and facilitating commerce with our southern neighbors.

Neither the U.S. nor Mexico lives in isolation. Clearly what happens on the one side of the border has political and economic repercussions on the other. This was clear surely after the global financial crisis that beset the United States and soon after the escalation of drug trafficking related violence that spread in Northern Mexico. The push and pull factors that dictate migration flows were turned upside down by local communities on both sides of the border due to negative economic activity. In that regard, the United States and Mexico have an undeniable and mutual responsibility to border security and facilitating the flow of goods and people in an effective and a humane manner. Advancing border security and trade facilitation are often thought to be mutually exclusive goals.

On the one hand, border security entails risk management of border flows by identifying and preventing the illegal entry of illicit goods and unauthorized persons while enforcing policies that govern their exchange and transit. On the other hand, trade facilitation involves improving the efficiency and predictability of processing times at U.S. ports of entry for both goods and people. By their very nature then, border security affects efforts, creates speed bumps of ports of entry while trade facilitation aims to remove them, caught in the middle of the U.S. and Mexican economies with billions of dollars in lost economic output and the thousands of authorized persons crossing daily alongside countless unauthorized persons attempting to do the same.

I would be interested to hear how U.S. consulates and border patrol, associated Homeland Security, and U.S. Agencies Division are aiming to address the tension that exists between border enforcement and trade facilitation. The tension between border security

and trade facilitation does not only affect the flow of goods and services and those persons authorized to cross freely between our respective borders. A byproduct of this tension is a series of adverse unintended consequences resulting in border area crime, civil rights abuses, and loss of life.

A more profound and distressing toll is taken by the thousands of unauthorized persons who by no fault of their own are compelled to leave their home and endeavor a life-threatening journey involving extortion and sexual assaults, over treacherous terrains in hopes of entering the United States. Although an effective deterrent, increasing force and monitoring would also compel many would-be unauthorized persons into the United States utilizing smuggling networks to resort to riskier means to enter the United States.

While many of these migrants come from regions other than Mexico, like Central America, approximately half of the unauthorized immigrants in the United States are from Mexico. Most of these migrants endeavor this journey in the hope of a better life. Nevertheless, the possibility exists that persons wishing to inflict harm on the United States' public can also enter through these means. Additionally, for those unauthorized persons that are captured, detained, and eventually repatriated, we must ensure that the enforcement of our laws is done in a humane manner, respectful of our Constitution and their civil rights. Deportees are at risk of becoming repeat offenders and victims of border crime syndicates. We shall seek balance between national enforcement and repatriation that lessens this likelihood.

The current paradigm between our nations is all too real, while also being broken down by the communities that straddle our 2,000-mile border, and our brave men and women assigned to protect it. As potential legislation affecting the nearly 11,000 million undocumented immigrants remains stalled in Congress, policy-makers in our Nation's capital must be equally mindful and aim to break down this divide.

I look forward to hearing from our panelists. Thank you very much. And I would also like to welcome my colleagues, which I should have done at the beginning, but I am grateful they are here with me. Thank you very much.

Mr. SALMON. Thank you. I would like to recognize the gentleman from Tucson, Mr. Barber.

Mr. BARBER. Well, thank you, Mr. Chairman, and thank you, Ranking Member, for having this hearing and inviting myself and my colleagues from the Arizona delegation.

As a member of the Homeland Security Committee and ranking member on the Oversight Committee, I am very concerned about the issue that you have brought to the table today. And I really look forward to the opportunity to hear from the witnesses.

But here is my take on it. We must expedite the legal flow of commercial traffic into our country. When you have to wait 2½ hours at our ports of entry here in southern Arizona, you are not going to be coming as often as you might. Thirty percent of the revenue that is taken in at the major malls in Pima County, 30 percent of that revenue comes from visitors who come from Mexico.

When they wait 2½ hours, they are not going to come through this port of entry. They are going to find another place to come.

We must also pay attention clearly, Mr. Chairman, to border security. I live in Tucson, but I represent a district that has 13 percent of the Mexico-Arizona border. We have done a lot of work to improve border security, but we have not completed the job. When the people I represent who live outside of the ports of entry, rural Pima County or rural Cochise County, I should say, from Douglas to the New Mexico State line, and in between the ports of entry going west, they live each day in fear of the cartels. We have to protect people living in those homes and on those ranches, but we also have to be smart about how we do it.

To me it is about border security coupled with economic security. The commercial traffic that comes into our State if we do a better job of staffing the ports of entry will be incredible growth potential for our State and for the country. I have spoken to people down in Nogales and Douglas about the delays and what it means to them. The Fresh Produce Association, Bruce Bracker, I believe is here today representing that community and has, I think, a lot of great insights about what needs to be done to staff up the ports of entry.

While we have appropriately increased the number of border patrol agents we have in the southwest border, we have done very little, Mr. Chairman, to increase the number of customs agents that staff the ports of entry. We are getting ready to open the Mariposa extension of the Nogales port of entry, a tremendous new asset to increasing commercial traffic. We need to be ready for the increased commercial traffic that is going to come from Mexico when the port at Guaymas is deepened and will rival Los Angeles as a major place where imports and exports come and go. If Arizona is not ready, we will lose a tremendous amount of economic benefit from that deepening of the port.

But even now before that is available, we have problems at the ports of entry both in Douglas and in Nogales. Douglas, for example, a port of entry that was built in 1932 without any measurable improvements since that time, needs to be upgraded. We need more agents. We need a better infrastructure.

Nogales, certainly a much more modern port. The DeConcini port of entry and the Mariposa port of entry are going to be, when they are completed—Mariposa—tremendous avenues for legal commercial traffic. And unless we staff them properly, we will never get the job done. When we look at the potential economic development and benefit to Arizona and to the Nation at large, those ports of entry have to be properly staffed.

But going back for a moment to the issue of border security, we cannot have one without the other. I am very proud to say that the Homeland Security Committee passed a bill called the Border Security Results Act, a bill that I co-sponsored. And that bill was passed unanimously, Mr. Chairman, by every member of that committee, Democrat and Republican alike. That is the kind of bipartisanship we need in the Congress more, and we are getting it, as you have mentioned, in ways that do not meet the headline test. They do not get publicized because it is not great news when people get along, and cooperate, and get things done.

But that Border Security Results Act could be a path toward improving ports of entry staffing and to securing the border in a smart way, which requires that stakeholders who live and work on the border, border patrol agents, law enforcement officials are consulted by the Department of Homeland Security before they develop a strategic plan to implement a better and improved border security plan. So we have great potential, and I hope that all members of the House of Representatives will soon have an opportunity to vote on that bill and to move forward with that important development of our border security and economic security opportunities.

It is really a privilege to be with you today. Thank you, Mr. Chairman and Ranking Member, for inviting myself and our colleagues from Arizona to join you, and we look forward to hearing from the witnesses. I yield back.

Mr. SALMON. Thank you, Mr. Barber. The chair recognizes the gentlewoman from CD 9, Ms. Sinema.

Ms. SINEMA. Thank you so much, Mr. Chairman, and thanks for inviting me to join you all here today. It is great to be back in my hometown of Tucson, Arizona. And I really feel honored and privileged to be with all of you here today to talk about an issue that is important not just to our Nation, but, in particular, important to Arizona and southern Arizona.

While Canada and China are the two largest trading partners at the national level for the United States, Mexico is Arizona's largest export market and our top trading partner. In 2012, the year for which we have the most recent statistics, Arizona exported nearly \$6.3 billion in goods and services to Mexico, and, of course, this number totals over 30 percent of all of Arizona's exports. So the importance of having a smooth and efficient relationship with our largest trading partner cannot be over emphasized here in Arizona.

I am proud to say that Congressman Salmon and I are working together with a host of business organizations in Arizona to increase Arizona's export industry to all nations, but particularly to our largest trading partner and our closest neighbor, Mexico. However, I think we all can recognize that many hurdles prevent the efficient and effective movement of goods and services from Arizona to Mexico, and equally importantly from Mexico into Arizona. For instance, the unpredictable and lengthy wait times at Arizona's ports of entry from Mexico have forced many of our produce companies to divert their import traffic to southern Texas. No offense to them, but we would like that traffic right here in Arizona.

Congress must take action to ensure that the U.S. Customs and Border Protection Agency can operate all ports of entry in our country smoothly and efficiently to allow for the free and efficient flow of commerce back and forth across our border. Equally, Congress must also take action and pay attention to immigration in a fashion that ensures border security, and that adjusts our visa system to meet the demands of the U.S. labor market rather than continuing to rely on an antiquated and outdated visa quota system that fails to meet the needs of American businesses and employers. Nowhere is that felt more acutely than here in Arizona.

So, Mr. Chairman, thank you again for inviting me to join this field hearing today, and I believe if this panel were granted the authority to come up with the solutions and address them with Con-

gress and the Senate, I think we would be able to solve this problem. So if there is a way for the Speaker to allow this group to make the decision, I think we would be able to solve this problem and get our State and our country back on a strong economic footing to increase trade, to protect our borders, and to grow our economic engine in America. Thank you, Mr. Chair.

Mr. SALMON. Thank you. The chair now recognizes the gentleman from Fountain Hills, Mr. Schweikert.

Mr. SCHWEIKERT. Scottsdale.

Mr. SALMON. Scottsdale.

Mr. SCHWEIKERT. Thank you, Mr. Chairman. And I will not argue with you about the golf courses, but——

Mr. SIRES. That is what they said.

Mr. SCHWEIKERT. You know, just next time you come to Scottsdale, call me, we will work something out for you.

Mr. SIRES. You got it.

Mr. SCHWEIKERT. And, Mr. Salmon, to members and everyone here, one of the things our office has been specializing in is the other side of bilateral trade and regional trade, and that is also the externalities of transaction costs, whether it be regulatory, whether it be financial. And much of this, we have a great interest in what is happening not only directly south of the border, but in the entire region with modernization of banking systems, but also the promises that were woven within NAFTA 20 years ago of being able to have, you know, fair, open contracts, whether it be within telecommunication, within the next generation of the banking systems, and the transactional costs that that will bring.

What is unique for all of us in this is we have an amazing opportunity just before us. Some of this is because of what is happening from the energy sectors in our country and also south of the border to actually have an entire region that actually has an amazing energy future and with that, the ability to become a key manufacturing hub for the entire world. But with that, we also have to overlay the honest discussions of security and what it means to our populations on both sides of the border.

And I hope actually as we hear the different witnesses come up and speak we have a discussion that is more than just-in-time products, perishables, backing up, but also the discussions of what is the next generation solutions. Is it a, you know, subscription express type lane mechanisms to move those just-in-time perishable products, and if so, what should those partnerships end up looking like? And with that, Mr. Chairman, I yield back.

Mr. SALMON. Thank you, Mr. Schweikert.

Pursuant to Committee Rule 7, the members of the subcommittee will be permitted to submit written statements to be included in the official hearing record.

Without objection, the hearing record will remain open for 7 days to allow statements, question, and extraneous materials for the record, subject to the length and limitation of the rules.

As I mentioned earlier, Secretary Bersin was waylaid due some of our airline traffic problems. And without further ado, I am going to ask Mr. Walker to go ahead and read his testimony. And as I mentioned, before, he will make himself available when we get

back to Washington to answer questions that we might have. Mr. Walker?

Mr. WALKER. Mr. Chairman, let the record reflect that I am Mark Walker, staff director for the Western Hemisphere Subcommittee on the House Foreign Affairs Committee. And I have been asked today to read the statement as provided for the record of Alan D. Bersin, Assistant Secretary for the Office of International Affairs and Chief Diplomatic Officer of the U.S. Department of Homeland Security.

STATEMENT OF THE HONORABLE ALAN BERSIN, ASSISTANT SECRETARY, OFFICE OF INTERNATIONAL AFFAIRS AND CHIEF DIPLOMATIC OFFICER, U.S. DEPARTMENT OF HOMELAND SECURITY

[As read by Mr. Walker.]

Chairman Salmon, Ranking Member Sires, and distinguished members of the subcommittee, on behalf of the Department of Homeland Security, Acting Secretary Rand Beers, I want to thank you for your continued support and the opportunity to testify today about trade facilitation in the border region.

In the last 5 years, the United States and Mexico have revolutionized their security and trade relationship, achieving unprecedented levels of cooperation and success. This transformation has been largely built on a new understanding of borders, a new bi-national approach to border management, and direct sustained bilateral engagement at the most senior levels of government. Now, historical levels of cooperation are on display across the spectrum of both countries' governments, and the U.S.-Mexican border is safer, more secure, and more efficient than it has ever been.

The core of DHS interests lies in improving joint border management, which includes everything from investigations to disaster response, admissibility determinations to joint operations, and appropriate information sharing to the repatriating of Mexican nationals. The majority of the DHS programmatic efforts with Mexico are focused on expediting the legitimate flow of goods and people and interdicting and preventing the illicit trafficking of people, weapons, drugs, and currency. DHS continues to have a robust and mutually beneficial relationship with our counterparts in the Government of Mexico based on the doctrines of co-responsibility of our shared border and co-management of migration issues.

The United States and Mexico share a historical unique relationship of migration, trade, and cultural exchange. The 1,969-mile border between the United States and Mexico is the most frequently crossed border in the world. Trade between the United States and Mexico continues to grow, totaling nearly \$500 billion in goods during 2012 alone, making Mexico the United States' third largest trading partner and second-largest export market. Mexico also has the largest number of airports—36—of any nation in the world providing last point of departure service to the United States.

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 have learned that this is a false dichotomy when managing the border. 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 bi-national 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 to address the difficulties we face head on and liberate us from the conceptual strait-jackets of security versus trade or national versus local. 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 and technologies on our border that allow us to process with maximum efficiency goods and travelers that we know are safe and legitimate, and focus our energies on people and shipments that could potentially pose a threat to our safety and our prosperity.

The concerted reshaping of the U.S.-Mexico bilateral relationship begun in earnest through the Merida Initiative was deepened and memorialized in the 21st Century Border Management Declaration. Spurred by this declaration, we have begun to move decisively. Trusted partner programs for people in commerce, such as SENTRI and Global Entry/Viajeros Confiables, FAST and C-TPAT/Nuevo Esquema de Empresas Certificadas, or NEEC, must be expanded dramatically and utilized more systematically. These programs allow us to move quickly to process 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 cargoes so that we can expedite their movement at scale and focus regulatory attention in a targeted fashion.

In 2013, C-TPAT and NEEC finalized the details of a joint work plan that will guide the work required toward achieving mutual recognition, or MR, in 2014. MR will benefit both Mexico's and U.S. trade community and governments by increasing resource efficiency, transparency, and decreasing duplication of efforts while still bolstering security across both borders.

Federal authorities working with local communities 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. 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.

Our policy making and politics must take account of the international and domestic interests affected by border issues and the 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 lead them unrepresented on matters that ultimately affect them, it robs the policy making process of much needed local expertise and experience as well as political support. To generally secure our border

and encourage trade, we must enlist the interests, insight, and imagination of local communities on both sides of the borders.
[The prepared statement of Mr. Bersin follows:]



Statement of

ALAN D. BERSIN

**ASSISTANT SECRETARY – OFFICE OF INTERNATIONAL AFFAIRS AND
CHIEF DIPLOMATIC OFFICER**

U.S. DEPARTMENT OF HOMELAND SECURITY

Before the

**UNITED STATES HOUSE OF REPRESENTATIVES
FOREIGN AFFAIRS COMMITTEE
SUBCOMMITTEE ON THE WESTERN HEMISPHERE**

Hearing on

Improving Security and Facilitating Commerce with Mexico at America's Southern Border

**December 9, 2013
Tucson, Arizona**

Trade Facilitation in the Border Region

Chairman Salmon, Ranking Member Sires and distinguished Members of the Subcommittees: On behalf of Department of Homeland Security Acting Secretary Rand Beers, I want to thank you for your continued support and the opportunity to testify today about trade facilitation in the border region.

Context

In the last five years, the United States and Mexico have revolutionized their security and trade relationship, achieving unprecedented levels of cooperation and success. This transformation has been largely built on a new understanding of borders; a new bi-national approach to border management; and direct, sustained, bilateral engagement at the most senior levels of government. Now, historic levels of cooperation are on display across the spectrum of both countries' governments, and the U.S.-Mexican border is safer, more secure, and more efficient than it has ever been.

The core of DHS interest lies in improving joint border management, which includes everything from investigations to disaster response; admissibility determinations to joint operations; and appropriate information sharing to repatriation of Mexican nationals. The majority of DHS programmatic efforts with Mexico are focused on expediting the legitimate flow of goods and people and interdicting and preventing the illicit flows of people, weapons, drugs, and currency. DHS continues to have a robust and mutually-beneficial relationship with our counterparts in the Government of Mexico based on the doctrines of co-responsibility of our shared border and co-management of migration issues.

Borders

The United States and Mexico share a historically unique relationship of migration, trade, and cultural exchange. The 1,969 mile border between the United States and Mexico is the most frequently crossed border in the world. Trade between the United States and Mexico continues to grow, totaling nearly \$500 billion in goods during 2012, making Mexico the United States' third largest trading partner and second largest export market. Mexico also has the largest number of airports (36) of any nation in the world providing last point of departure service to the United States.

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 have learned that this is a false dichotomy when managing the border. 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 straight-jackets of “*security versus trade*” or “*national*

versus local.” 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 and technologies on our borders that allow us to process with maximum efficiency goods and travelers we know are safe and legitimate, and focus our energies on people and shipments that could potentially pose a threat to our safety and our prosperity.

The concerted reshaping of the U.S.-Mexican bilateral relationship, begun in earnest through the Mérida Initiative, was deepened and memorialized the *Twenty-First Century Border Management Declaration*. Spurred by this declaration we have begun to move decisively. Trusted partner programs for people and commerce such as SENTRI and Global Entry/*Viajeros Confiables*, FAST and C-TPAT/*Nuevo Esquema de Empresas Certificadas (NEEC)* must be expanded dramatically and utilized more systematically. These programs allow us to more quickly process 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 cargoes so that we can expedite their movement at scale and focus regulatory attention in targeted fashion. In 2013, C-TPAT and NEEC finalized the details of a “Joint Work Plan” that will guide the work required towards achieving Mutual Recognition (MR) in 2014. MR will benefit both Mexico’s and the U.S.’s trade community and governments by increasing resource efficiency, transparency, and decreasing duplication of efforts while still bolstering security across both borders.

Federal authorities working with local communities must continue to support initiatives that are tailored for specific ports of entry, and that re-engineer processes to make more efficient use of existing infrastructure. 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.

Conclusion

Our policy-making and politics must take account of the international and domestic interests affected by border issues 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 policy-making 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.

Mr. SALMON. Thank you, Mr. Walker. I will excuse you, and I would like to seat the second panel. Before I introduce the panel, I want to inform the members that two of our witnesses may have to leave early because of prior commitments.

I would like to begin introducing the panel starting with Mr. Farnsworth. Mr. Farnsworth is the vice president of the Council of the Americas and Americas Society. He is a foreign policy professional with experience in public, private, and non-profit sectors.

Ms. Márquez Peterson is the president and CEO of the Tucson Hispanic Chamber of Commerce and is an advocate of the southern Arizona business community. She received a B.A. in marketing and entrepreneurship from the University of Arizona, and an M.B.A. from Pepperdine University. I understand the University of Arizona is going to get a great ranking today, or has that already come out? [Laughter.]

Number one, right? All right. That is what I am hearing. All right. Next is Mr. Hamer. He is the president and CEO of the Arizona Chamber of Commerce and Industry. He is overseeing the organization's development in one of the most respected pro-business public policy entities in the State. Mr. Hamer is a graduate of Cornell University School of Industrial and Labor Relations and Arizona State University College of Law.

Mr. Hutchens is a CBRE executive vice president and the head of Federal Lessor Advisory Group. He received his B.S. in economics from Johns Hopkins University and his J.D. from the University of Chicago Law School.

Mr. Wilson is an associate at the Mexico Institute of the Woodrow Wilson International Center for Scholars. He oversees regional economic integration in U.S., Mexico, and border affairs. Mr. Wilson holds an M.A. in international affairs from American University.

Let us begin. Mr. Farnsworth, you are recognized.

**STATEMENT OF MR. ERIC FARNSWORTH, VICE PRESIDENT,
COUNCIL OF THE AMERICAS AND AMERICAS SOCIETY**

Mr. FARNSWORTH. Well, thank you very much, Mr. Chairman, and good morning to you and to the members of the subcommittee. And I really would like to thank you for the opportunity to testify today both because the issues are so important and also because it gets me out of Washington during winter and brings me here to Tucson. I really appreciate that. And as you know, this hearing today continues the outstanding efforts both of the full committee and also the subcommittee to address the most important issues that are facing us in the western hemisphere.

And I really wanted also congratulate all of you for the outstanding introductory comments that were made. I thought they really captured the issues quite well, and I wanted simply to reflect that.

The Council of the Americas has a long history of engagement on the U.S.-Mexico relationship, and we firmly believe that Mexico is critically important to the core prosperity and security of the United States. As the location of this field hearing suggests, the relationship is not limited to Washington and Mexico City. Intense

interaction takes place at all levels of government and in the business community and civil society.

Nonetheless, the depth of the bilateral agenda represents a fairly recent development. In trade alone, annual bilateral exchange has gone from less than \$100 billion per year prior to NAFTA to today more than \$1 billion in goods and services every single day. Mexico is now our second largest export market and, has been mentioned, our third largest trading partner.

For 23 States, including Arizona, as well as many non-border States, Mexico is the first or second export destination. Beyond these tangible commercial benefits, NAFTA institutionalized the bilateral relationship within a broader North American context and, in our estimation, helped anchor Mexico to a path of economic reform, development, and democracy.

This reality, as has been discussed a little bit already, has unfortunately been overshadowed by the security issues which people in the border communities and elsewhere know so well. But as the Council has highlighted through our border and competitiveness initiative, within North America, we do not merely trade products anymore, we now design and make them together. Joint production and supply chains have developed so that from a commercial perspective at least, national borders no longer define production. North America itself is the production platform.

Businesses are generally optimistic about Mexico's trajectory, and we are increasingly observing companies leaving China and other Asian sites setting up plants in Mexico as they seek to develop their own manufacturing base and cut high transport costs, reducing delivery times to the United States. This is hugely important because as has been mentioned, according to the National Bureau of Economic Research, every dollar of U.S. imports from Mexico includes 40 percent of U.S. content, while imports from China to the United States include barely 4 percent of U.S. content.

Foreign direct investment is also pouring into higher-end manufacturing in central Mexico and elsewhere, making clear that the country is no longer a low-cost labor player. In fact, from 2009 to 2012, foreign direct investment from the United States increased over 50 percent into Mexico. Yes, labor costs are lower than in the United States, but the production is also cutting edge. Who in Washington knows, for example, that Mexico has a successful and growing aerospace industry, or that the number and quality of Mexican engineers producing for the global market is highly competitive?

Broadly, what we are seeing is design work done in the United States and Canada followed by high end manufacturing in Mexico and final production and path-to-market in the United States as Mexico moves up the value-added chain. Without the ability to do work in Mexico, overall production would be uncompetitive, and dependent U.S. jobs would evaporate. This turns the old NAFTA as job killer argument squarely on its head.

To paraphrase the old television program, our strategic opportunity, if we choose to accept it, is to capitalize on this increasingly unified economic space and Mexico's emerging economic dynamism. But to do so, we need to think bigger and bolder about the bilateral relationship. A joint competitiveness agenda should prioritize mak-

ing business easier at our common border as clearly this hearing is designed to do. Important security gains have been made during the last decade, but trade facilitation has received insufficient attention, in my view, even as cross-border supply chains have steadily integrated. As a result, long and unpredictable crossing times have produced bottlenecks and relatively few ports of entry have seen major upgrades. Recent discussions in Washington on border security sometimes overlook the urgent need to direct investments toward infrastructure improvements.

As Mexico's Ambassador to the United States, Eduardo Medina Mora, has said recently, "We have a 21st-century trade model, operating on a 20th-century policy format, with a 19th-century infrastructure." The financing of needed investments could overcome budgetary constraints through the use of innovative mechanisms like public-private partnerships—Mr. Sires, I know you have had some direct experience with that in New Jersey in the housing sector, for example; very successful—mixed capital investment vehicles for project finance, and allocation of capital to multilateral development banks like the North American Development Bank. Infrastructure improvements must also be accompanied by staffing increases. We have heard a little bit of that already today. Although staffing for the U.S. Border Patrol has grown in recent years, the number of Customs and Border Protection officers has remained largely unchanged.

More broadly, among other things like regulatory harmonization and simplification, governments should strengthen multilateral trade cooperation beyond just border issues. Mexican and Canadian entry into the Trans-Pacific Partnership negotiations was a critical step. Now we should also consider negotiating, together with Mexico and Canada, the Free Trade Agreement with Europe. Similarly, future economic association among the NAFTA and Pacific Alliance nations would be timely and, in our view, appropriate.

Of course, Mexico must continue along the reform path in order to build its own competitiveness, including in the energy sector. And we saw some of the potentially dramatic changes that have been proposed just over this recent weekend. Meanwhile, unaddressed security issues affect the economic agenda because perceptions of insecurity in Mexico impact the willingness of entrepreneurs to bet on Mexico. At the same time, failure by the United States to address the demand for illegal drugs or the supply of weapons contributes to Mexico's security difficulties.

Nonetheless, as NAFTA turns 20 on January 1st, the United States is positioned to write the next chapter of global competitiveness. To do so, we have to begin to view North America as a more unified production platform and the U.S. border with Mexico as a line that unites, rather than divides, our two great nations.

Mr. Chairman, I look forward to your questions.

[The prepared statement of Mr. Farnsworth follows:]



**IMPROVING SECURITY AND FACILITATING COMMERCE WITH MEXICO
AT AMERICA'S SOUTHERN BORDER**

FIELD HEARING BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE WESTERN HEMISPHERE
TUCSON, ARIZONA
DECEMBER 9, 2013

ERIC FARNSWORTH
VICE PRESIDENT
COUNCIL OF THE AMERICAS AND AMERICAS SOCIETY

*** As Prepared for Delivery ***

Good afternoon, Mr. Chairman and Members. Thank you for the opportunity to testify on such a timely and important topic. This hearing today continues the outstanding efforts of both the full Committee and the Subcommittee to highlight the most pressing issues in hemispheric affairs, and I congratulate and thank you for your leadership.

The Council of the Americas has a long history of engagement on the U.S.-Mexico relationship. From the time of our founding we organized and ran the U.S. section of the Mexico-U.S. Business Council (MEXUS), which was instrumental in advocating for the idea of a North American Free Trade Agreement (NAFTA). After working for several years on NAFTA implementation issues, MEXUS was re-organized into the North American Business Committee. The Council also served as the co-secretariat for the United States of the North American Competitiveness Council, a group of business leaders from Canada, Mexico, and the United States formed in 2006 and active until 2009. Under Council leadership, the NACC coordinated advice from the private sector to present to the three North American leaders on ways to enhance North America's competitive position, promote increased employment, and improve higher living standards.

In 2012, at the request of our chairman, Ambassador John Negroponte (U.S. Ambassador to Mexico at the time of the NAFTA negotiations), the Council launched the

North American Border and Competitiveness Initiative. This initiative seeks to foster a public-private dialogue on improving management of the U.S.-Mexico border in the broader context of regional competitiveness. We have convened private meetings and public conferences along the breadth of the border, from Tijuana to Laredo. Our largest conference took place in El Paso in August 2013, with both the Mexican and U.S. Ambassadors and other public and private-sector leaders emphasizing the economic opportunities in the bilateral relationship. Most recently, the Council provided input to U.S. and Mexican cabinet officials on the launch of the U.S.-Mexico High-Level Economic Dialogue in September 2013, including actionable ideas for the two governments to improve binational economic growth and development.

Even with pressing concerns in the Middle East, Asia, and elsewhere, there is no other country more important to our prosperity and security than Mexico (and vice-versa). The almost 2,000-mile land border inextricably links our economies and societies. As the location of this field hearing suggests, the relationship is not limited to Washington and Mexico City but rather characterized by a multiplicity of actors. This intense interaction takes place among all three branches of government at the federal, state, and local levels and, just as importantly, in the business community and civil society.

Despite geographic proximity, however, the depth of our bilateral agenda represents a fairly recent development. A useful time frame to consider is the nearly 20 years since the North American Free Trade Agreement entered into force. In 1993, annual trade between the United States and Mexico amounted to \$99 billion. That figure has quadrupled over two decades; we now trade more than a billion dollars in goods and services *every day*, making Mexico our second largest export market and third largest trading partner. For 23 states, including Arizona as well as many non-border states, Mexico is their first or second export destination. Beyond these tangible commercial benefits, NAFTA institutionalized the bilateral relationship and helped anchor Mexico to a path of economic reform, development, and democracy.

This is not to say that the bilateral relationship does not face challenges, of course, which often cloud public perceptions of the depth and importance of the economic dimension of

the relationship. The launch of the U.S.-Mexico High-Level Economic Dialogue in September is an auspicious step. Yet in many ways, governments are only slowly catching up to the sea change in our economic reality. The United States and Mexico do not merely trade products; we now design and make them together. In many industries, joint production and supply chains have developed to such an extent that, from the commercial perspective at least, national borders no longer define products. Every dollar of U.S. imports from Mexico, for example, includes some 40 percent of U.S. content. It is no longer accurate to think in terms of U.S. or Mexican or Canadian products when North America itself has become the production platform.

Our strategic opportunity is to capitalize on our increasingly unified economic space and Mexico's economic dynamism. The moment is ripe to think bigger and bolder about the bilateral relationship. As we celebrate the 20th anniversary of NAFTA, we must address the remaining obstacles for cross-border business and jointly build North America as the most competitive region in the world.

There is good reason to be optimistic about Mexico's future growth prospects. When I visited Tijuana in February, I was particularly impressed with the large industrial parks that testify to its booming manufacturing sector. From high-tech electronics, to medical supplies and equipment, to sophisticated production of auto components, Tijuana has become a vital part of North American supply chains, creating jobs in both the United States and Mexico. The same is true, for example, in Ciudad Juárez and Nuevo Laredo. Across the border, the story we are hearing from our member companies is the trend toward "near shoring"—foreign and U.S. companies leaving China and other Asian manufacturing sites and setting up plants in Mexico as they seek to cut high transport costs through quicker delivery times.

Foreign direct investment is also pouring into higher-end manufacturing in central Mexico, making clear that the country is no longer a low-cost labor play. Yes, labor costs are lower than in the United States, but the production is also cutting edge.

Broadly, we are increasingly seeing design work done in the United States and Canada,

followed by manufacturing in Mexico and final production and path-to-market in the United States. Without the ability to do work in Mexico, overall production would be uncompetitive, and dependent U.S. jobs would evaporate.

Despite these positive trends, governments must also do more to make business easier at our common border and sustain the enormous growth in bilateral trade and investment. Otherwise, we risk leaving opportunities on the table.

A joint competitiveness agenda should prioritize efforts to make business easier at our common border. Borders function as the windpipe of the U.S. economy; if they are constricted, the economy suffers. Important security gains have been made in the last decade, but trade facilitation has received insufficient attention, even as cross-border supply chains have steadily integrated. As a result, long and unpredictable crossing times have produced bottlenecks, and relatively few ports of entry have seen major upgrades. Recent discussions in Washington on border security overlook the urgent need to direct investment towards infrastructure improvements. As Mexican Ambassador Eduardo Medina Mora has said, “We have a 21st-century trade model, operating on a 20th-century policy format, with a 19th-century infrastructure.”

The financing of needed investments could overcome budgetary constraints through the use of innovative mechanisms like public/private partnerships for project development, mixed capital investment vehicles for project finance, and allocation of capital to multilateral development banks like the North American Development Bank. Infrastructure improvements must also be accompanied by staffing increases. Although staffing for the U.S. Border Patrol has grown in recent years, the number of Customs and Border Protection officers has remained largely unchanged, despite the increased volume of trade and travel.

More broadly, among other things like regulatory harmonization and simplification, our governments should continue to strengthen cooperation in multilateral settings. Mexican and Canadian entry into the Trans-Pacific Partnership negotiations was a critical step, offering a vehicle to explore new markets for jointly-produced goods and to update our

trade relationship to the 21st-century standards Ambassador Medina Mora referenced. Now, to take full advantage of the economies of scale produced by NAFTA, we should also consider negotiating together with Mexico and Canada the free trade agreement with the European Union. Similarly, an early economic association among the NAFTA and Pacific Alliance nations including Chile, Colombia, and Peru in addition to Mexico would be both timely and appropriate.

Of course, Mexico must continue along the reform path in order to build its own competitiveness. Improved competition policy is needed, especially in the telecommunications sector, and energy costs are far too high. An opening of Mexico's heavily protected oil industry may prove to be the most difficult item on President Peña Nieto's reform agenda but would be a potentially huge boost for Mexican competitiveness and North American growth. Meanwhile, security issues will continue to resonate until they are effectively addressed. This, in turn, hurts the economic agenda, because perceptions of insecurity in Mexico act as a drag on both investment and the willingness of entrepreneurs to bet on Mexico. At the same time, the failure of the United States to address the demand for illegal drugs or the supply of weapons directly contributes to Mexico's persistent security difficulties.

Fortunately for the health of our bilateral relationship, an open and frank dialogue now characterizes our exchanges, even on these hard questions. Recognition of shared responsibility for our security and prosperity has fostered a greater level of trust, which is a necessary factor contributing to the ability to achieve the overall agenda.

As NAFTA turns 20 on January 1, 2014, the United States is well positioned to write the next chapter of global competitiveness. To do so we have to begin to view North America as a more unified production platform, and the U.S. border with Mexico as a line that unites, rather than divides, our two great nations.

Thank you, again, Mr. Chairman, for the opportunity to be with you today, and I look forward to your questions.

Mr. SALMON. Thank you very much.
 Ms. Márquez Peterson, you are recognized.

**STATEMENT OF MS. LEA MÁRQUEZ PETERSON, PRESIDENT
 AND CHIEF EXECUTIVE OFFICER, TUCSON HISPANIC CHAM-
 BER OF COMMERCE**

Ms. MÁRQUEZ PETERSON. Thank you, Mr. Chairman, Ranking Member, and members of the subcommittee. Thank you again for your invitation to testify today. I am grateful for the committee's interest in the small business experience along the Arizona-Sonora Border.

In my role as the president and CEO of the Tucson Hispanic Chamber of Commerce, I represent over 1,000 member businesses in which 70 percent have less than 25 employees, which is reflective of the businesses in Arizona. Our chamber works with businesses in Arizona on reaching the fast-growing Hispanic market and assisting businesses in Arizona and Mexico interested in international trade.

We have built a reputation in our geographic region for being a resource for businesses interested in exploring international trade in Mexico, and work closely with referral partners from Arizona businesses such as the U.S. Department of Commerce and the U.S. Small Business Administration. In addition, we assist Mexican businesses who are interested in investing or expanding into Arizona.

The border States in the U.S. and Mexico have a population of 14 million people. I believe that there are many best practices that we can learn from different States and regions. The more information we can share between business organizations, like chambers of commerce, the better we can collaborate, learn of resources, and advocate for changes in our respective State administrative codes. Ultimately, this will lead to a positive impact on our economy.

The United States and Mexico are critical economic partners, as we have heard this morning. In May 2013, President Obama and President Peña Nieto announced the formation of the High Level Economic Dialogue. We share not only a 2,000-mile border, but a dynamic commercial relationship that generates more than \$500 billion in trade in goods and services and supports millions of jobs in both countries. The global competitiveness of both of our countries requires continued and deepened economic integration, commercial exchange, and policy alignment.

At a local level, our chamber has focused on building relationships cross-border between these businesses. Our member businesses are from diverse industries, and approximately 65 percent are Hispanic owned or managed firms. The key to the economic recovery of our Nation and bolstering economic development within our border States is the support of entrepreneurship and the promotion of the value of our bilingual workforce. A key to the continued economic recovery of our Nation is that support of entrepreneurship.

Arizona, like many of our border States, has a fast-growing Hispanic population, and experts expect that by 2035 the majority of the State's population will be Hispanic. These dynamic attributes

are an asset to our Nation, and the Hispanic market represents \$50 billion in purchasing power in our State alone.

The Tucson Hispanic Chamber hosts trade mission trips 2 to 3 times a year to Sonora, Mexico. On our most recent trip in September, we had 21 attendees who represented our local businesses, our university, our community college, and our county. During the trip, we toured the manufacturing facilities of the Offshore Group, an Arizona business operating in Guaymas. We also toured the Port of Guaymas and discussed the impact on the Arizona economy, met with the Mayor of Guaymas, and signed an economic development agreement with the chamber of commerce in Guaymas. This 2-day trip provided our attendees with key contacts and the ability to follow up to develop resources within their respective industries. Our chamber is currently planning our next trade mission trip to Cananea, Sonora to study the expanding mining industry and explore opportunities. Mining continues to be a key industry for Arizona. We plan to invite Arizona suppliers who specialize in the mining industry, logistics businesses, and other service-related companies, to join us.

Over the last 4 years, our chamber has developed a regional business presence in Mexico. Four years ago, our Arizona businesses were subject to the boycott as a result of Arizona's SB 1070 law. We worked closely with our fellow chambers of commerce in Sonora to advocate for the 65,000 Hispanic-owned businesses and our greater business community in Arizona during the time of the boycott. We focused on the economic interdependence of our Southern Arizona-Sonora region and the importance of a Federal response to immigration reform.

Mexico is the main destination for exports in Arizona, California, and Texas. Additional business incentives, the removal of impediments, and identification of resources and tools are necessary to build export opportunities for our business community. Cooperation in transportation and freight systems between the U.S and Mexico is important. Several programs have been valuable in assisting retailers on both sides of the border, such as FAST and SENTRI, to name a few. Easing transportation challenges for consumers and businesses can assist our Arizona businesses in building cross-border relationships. The extension of the proposed I-11 corridor from Las Vegas to Phoenix through Tucson and Nogales will provide a more efficient method for goods to travel from Latin America throughout the United States.

The U.S. Government estimates that each additional billion dollars in new exports supports more than 6,000 new jobs. Exports to Mexico increased \$18 billion in 2012 alone, thus potentially helping create over 107,000 new U.S. jobs. Almost 6 million U.S. jobs rely on trade with Mexico, according to the U.S. Chamber of Commerce. In Arizona, businesses export more \$6 billion worth of goods to Mexico, and over 111,000 jobs in Arizona rely on trade.

In closing, I would like to address specific needs of small businesses in our border States related to trade with Mexico. At the Tucson Hispanic Chamber, we have learned that making the business decision to export can have a transformational effect on sales and growth, but exporting can seem complicated, especially for smaller firms. We heard about a lot of challenges, which include

difficulty accessing financing, trouble finding skilled workers, lack of information about foreign markets, and the high cost of establishing a physical presence in foreign countries.

The Mexican Government is paying close attention and is a ready partner in collaborating with business organizations, such as the Tucson Hispanic Chamber. As part of President Enrique Peña Nieto's economic policy, on January 11, 2013, his decree created the National Institute of the Entrepreneur. The INADEM goal, which is that organization, is to implement, execute, and coordinate the national policy on supporting entrepreneurs, as well as micro, small and medium enterprises, bolstering their innovation and competitiveness in order to increase their contribution to economic development and social welfare. Furthermore, it seeks to provide help toward the development of policies which foster entrepreneurial culture and productivity. According to the OECD, small- and medium-sized businesses in Mexico represent the vast majority of businesses. They account for 41 percent of GDP and generate 64 percent of total employment.

Mr. Chairman, coordination between the U.S and Mexico on the effort to bolster micro and small business activity in international trade would greatly enhance the economic recovery of our region and ultimately our Nation. Small business is such a vital part of both countries, especially along our mutual border States. I ask that the committee make efforts to understand the financial impact of an improved small business trade environment to our country.

Thank you. I look forward to answering any questions.

[The prepared statement of Ms. Márquez Peterson follows:]

**Lea Márquez Peterson
President/CEO
Tucson Hispanic Chamber of Commerce
House Committee on Foreign Affairs**

Monday, December 9th, 2013

"Improving Security and Facilitating Commerce with Mexico at America's Southern Border"

Mr. Chairman, Ranking Member, and Members of the Committee: Thank you for the invitation to testify today. I am grateful for the Committee's interest in the small business experience along the Arizona –Sonora Border.

In my role as the President/CEO of the Tucson Hispanic Chamber, I represent over 1000 member businesses in which over 70% have less than 25 employees. Our chamber works with businesses in Arizona on reaching the fast growing Hispanic market and assisting businesses in Arizona and Mexico interested in international trade.

We have built a reputation in our geographic region for being a resource for businesses interested in exploring international trade in Mexico. We work closely with referral partners for Arizona businesses such as the U.S. Department of Commerce and the U.S. Small Business Administration. In addition, we assist Mexican businesses who are interested in investing or expanding into Arizona.

As this esteemed committee is aware, there are ten border states between U.S. and Mexico. In the U.S., they are: California, Arizona, New Mexico and Texas. In Mexico, they include: Baja California, Sonora, Chihuahua, Coahuila, Nuevo Leon, and Tamaulipas. These border states have a population of 14 million people. I believe that there are many best practices that we can learn from different states and regions. The more information we can share between business organizations, the better we can collaborate, learn of resources and advocate for changes in our respective state administrative code. Ultimately, this will lead to a positive impact on our economy.

The United States and Mexico are critical economic partners. In May 2013, President Obama and President Peña Nieto announced the formation of the High Level Economic Dialogue. We share not only a 2,000 mile border but a dynamic commercial relationship that generates more than \$500 billion in trade in goods and services and supports millions of jobs in both countries. The global competitiveness of both of our countries requires continued and deepened economic integration, commercial exchange, and policy alignment.

At a local level, our chamber has focused on building relationships cross border between businesses. Our member businesses are from diverse industries and approximately 65% are Hispanic owned or managed firms. The key to the economic recovery of our nation and bolstering economic development within our Border States is the support of entrepreneurship and the promotion of the value of our bilingual workforce. A key to the continued economic recovery of our nation is the support of entrepreneurship and the promotion of a bilingual workforce. Arizona, like many of our border states, has a fast-growing Hispanic population and experts estimate that by 2035 the majority of the state's population will be Hispanic. These dynamic attributes are an asset to our nation and the Hispanic market represents \$50 billion in purchasing power in our state alone.

The Tucson Hispanic Chamber hosts "Trade Mission Trips" two to three times a year to Sonora, Mexico. On our most recent trip in September, we had 21 attendees who represented our local businesses, our university, our community college and our county. During the trip, we toured the manufacturing facilities of the Offshore Group, an Arizona business operating in Guaymas. We also toured the Port of Guaymas and discussed the impact on the Arizona economy, met with the Mayor of Guaymas, and signed an economic development agreement with the Chamber of Commerce in Guaymas. The two day trip provided our attendees with key contacts and the ability to follow up to develop resources within their respective industries. Our Chamber is currently planning our next trade mission trip to Cananea, Sonora, Mexico to study the expanding mining industry and explore opportunities. Mining continues to be a key industry for Arizona. We plan to invite Arizona suppliers who specialize in the mining industry, logistics businesses, and other service-related companies.

Over the last four years, our chamber has developed a regional business presence in Mexico. Four years ago, our Arizona businesses were subject to the boycott as a result of Arizona's SB1070 law. We worked closely with our fellow Chambers of Commerce in Sonora to advocate for the 65,000 Hispanic-owned businesses and our greater business community in Arizona during the time of they boycott. We focused on the economic interdependence of our Southern Arizona – Sonora region and the importance of a federal response to immigration reform.

Mexico is the main destination for exports in Arizona, California and Texas. Additional business incentives, the removal of impediments, and identification of resources and tools are necessary to build export opportunities for our business community.

Cooperation in transportation and freight systems between the U.S and Mexico is important. Several programs have been valuable in assisting retailers on both sides of the border, such as FAST, SENTRI, Ready Land and Global Entry, to name a few. Easing transportation challenges for consumers and businesses can assist our Arizona businesses in building cross border relationships. The extension of the proposed I-11 corridor from Las Vegas to Phoenix through Tucson and Nogales will provide a more efficient method for goods to travel from Latin America throughout the United States.

The U.S. government estimates that each additional billion dollars in new exports supports more than 6,000 new jobs. Exports to Mexico increased \$18 billion dollars in 2012 alone, thus potentially helping create over 107,000 new U.S. jobs. Almost six million U.S. Jobs rely on trade with Mexico, according to the U.S. Chamber of Commerce. In Arizona, businesses export \$6.29 billion worth of goods to Mexico and over 111,000 jobs in Arizona rely on trade.

In closing, I'd like to address specific needs of small businesses in our Border States related to trade with Mexico. At the Tucson Hispanic Chamber, we have learned that making the business decision to export can have a transformational effect on sales and growth. But exporting can seem complicated, especially for smaller firms. We heard about a lot of challenges which include: difficulty accessing financing, trouble finding skilled workers, lack of information about foreign markets, and the high cost of establishing a physical presence in foreign countries.

The Mexican government is paying close attention and is a ready partner in collaborating with business organizations such as the Tucson Hispanic Chamber. As part of President Enrique Peña Nieto's economic policy, on January 11, 2013, the decree creating the National Institute of the Entrepreneur (Instituto Nacional del Emprendedor – INADEM) was signed.

The INADEM's goal is to implement, execute and coordinate the national policy on supporting entrepreneurs, as well as micro, small and medium enterprises, bolstering their innovation and competitiveness in order to increase their contribution to economic development and social welfare. Furthermore, it seeks to provide help towards the development of policies which foster entrepreneurial culture and productivity

According to the OECD (Organisation for Economic Co-operation and Development), small and medium sized businesses in Mexico represent the vast majority of businesses. They account for 41% of GDP and generate 64% of total employment.

Mr. Chairman, coordination between the U.S and Mexico on an effort to bolster micro and small business activity in international trade would greatly enhance the economic recovery of our region and ultimately our nation. Small business is such a vital part of both countries, especially in our mutual border states. I ask that the committee make efforts to understand the financial impact of an improved small business trade environment to our country.

Thank you. I look forward to answering any questions.

Mr. SALMON. Thank you, Ms. Márquez Peterson.
The chair recognizes Mr. Hamer.

**STATEMENT OF MR. GLENN HAMER, PRESIDENT AND CHIEF
EXECUTIVE OFFICER, ARIZONA CHAMBER OF COMMERCE
AND INDUSTRY**

Mr. HAMER. Thank you, Chairman Salmon and members of the committee. Thank you for putting on the on button. Technical expertise is not my area of expertise.

Chairman Salmon, members of the committee, thank you for holding this very important hearing today. There are a few things that we can do to better improve the economy of Arizona and the United States than to look for ways to increase our positive trading relationship with Arizona's largest trading partner, Mexico. And how appropriate it is that we are now just less than a month away from the 20th anniversary of the implementation of the NAFTA to be discussing best practices and ways we can further facilitate this relationship. And we will talk a little bit about some of the things Congressman Kolbe has done, but I want to also commend Chairman Salmon for his sponsorship of the Outer Continental Shelf Trans-Boundary Hydrocarbon Agreement Authority Act. You want to talk about something that is timely. As the President of Mexico is, I believe, this week, there should be progress on his legislation to open up energy markets in Mexico. Getting this legislation through the U.S. Congress is vitally important not just for the success and the improvement of our economy, but also for Mexico's. I will talk a little bit about that later, but I wanted to, from the outset, applaud Congressman Salmon for his leadership on that issue.

We have now 20 years of positive experience under our collective belts with U.S., Mexico, and Canada. And it is exciting that we are now all part of the Trans-Pacific Partnership trade talks, an agreement poised to link the markets of Asia and the Americas, accounting for about 800 million people and a combined GDP of \$27.5 trillion. The importance of trade with Mexico is not lost on the Arizona Chamber of Commerce and Industry or with the larger business community. We recognize the 6 million U.S. jobs that depend on trade with Mexico and the \$12 billion in trade between Mexico and Arizona in 2012 alone. It was mentioned earlier today that one-third of our exports in Arizona occur with Mexico—one-third. That is a very significant number.

To that end, the chamber in 2012 formed a Trade and Tourism Committee, which serves as our one-stop public policy shop for trade and international travel promotion. Our chamber has advocated for improved transportation links between our State and Sonora, increased international flights from Mexico, and better resources and infrastructure to process the trade flowing between our two countries. And I believe that has been a theme that we have heard here many times earlier today about the need to do more so we can better process the trade between our two countries. And we would also like to see additional educational exchanges.

In 2013 alone, I have had the distinct pleasure of traveling to Mexico City with our Arizona Speaker of the House, Andy Tobin, as part of a bipartisan delegation of lawmakers and business leaders to visit with members of Mexico's Congress. We were treated

very warmly. Over the past several years, I have also had the great privilege to travel to Mexico City and to Guadalajara with a number of our excellent mayors, including the mayor of Tucson, as well as Mayor Stanton, who I had the privilege to be on a trade mission to Guadalajara a few months ago, where we were part of a new non-stop flight between Guadalajara and Phoenix. And by the way, every new flight between Mexico and Phoenix represents hundreds of thousands of dollars of new economic activity for our entire State.

One thing that is sort of interesting is that the increased trading opportunities and the desire for Arizona to deeper relationships with Mexico is really part of our culture. Our professional sports teams also have recognized the importance of the Mexican market and the positive role sports can play in forging new relationships. I could tell you from my experience on the Guadalajara trade mission that having the Diamondbacks' World Series hero, Luis Gonzalez, as part of your delegation makes an incredibly positive impression. Our NFL Arizona Cardinals have played a regular season game in Mexico City, and have a huge broadcast presence in Mexico where their games are broadcast to 18 cities throughout the country, including Mexico City and Guadalajara. Yesterday our friends in Mexico were able to hear the very good news of Carson Palmer and company slicing and dicing the St. Louis Rams. The NBA's Phoenix Suns have not only participated in trade missions to Mexico, but they are also the first NBA team to conduct their own youth basketball clinics in that country.

And I mentioned my former Southern Arizona Congressman, Jim Kolbe, fought right from the start for NAFTA. It is not hyperbole to say I am not sure if that agreement would be in effect today if not for his work. Congressman Kolbe was also critical in the expansion of the border travel zone, which governs how far Mexican nationals in possession of a valid border crossing card may travel before requiring additional documentation. Because of his work in 1999, Mexicans crossing the border into Arizona may travel as far north as Tucson, where they can enjoy world-class resorts and shopping destinations.

Along most of the U.S.-Mexico border, Mexican visitors may travel only 25 miles north before requiring an additional form. Earlier this year, the Department of Homeland Security expanded the border zone in New Mexico where business leaders there cited Arizona's positive experience as a case study for increased travel access. The Maricopa Association of Governments, MAG, the Council of Governments for the greater Phoenix area, is now leading an effort for the entire State of Arizona to be considered part of the border travel zone as a means to further grow the tourism opportunities between Arizona and Mexico.

Arizona, as you all know, is also home to the Arizona Mexico Commission. The AMC, chaired by Governor Jan Brewer—and the president, Larry Lucero, is here today—has since 1959 sought to promote a better relationship between Arizona and Sonora through twice yearly plenary sessions and cultural and educational exchanges.

In just the last few years, Arizona has dramatically stepped up its efforts to promote our State's outstanding business environment

to the rest of the world. Mexico figures prominently in that strategy. Arizona in 2010 formed the Arizona Commerce Authority, which right now is being extraordinarily well run by Sandra Watson. This is a public-private entity to lead the State's job attraction efforts, and we have put a lot of effort in the State to make Arizona the most competitive place when it comes to export-oriented industries. The push is on to open additional trade offices in Mexico. There has been a lot of discussion about doing some things in Mexico City on the State level as well as through several cities.

I will close by saying, again, we need to do everything we possibly can to enhance this relationship. There is a lot that we need to do in terms of improving the number of customs agents. We have made a lot of great moves in terms of modernizing Nogales, but we need to make sure that it is properly staffed. We have heard about the backups.

You have the power to change that. We need to do more things along the lines of what Chairman Salmon is doing in terms of increasing our ability to take advantage of the energy revolution, which could truly make North America energy independent.

Thank you for the opportunity to testify this morning. Thank you, Chairman Salmon, for your leadership.

[The prepared statement of Mr. Hamer follows:]

IMPROVING SECURITY AND FACILITATING COMMERCE WITH MEXICO
AT AMERICA'S SOUTHERN BORDER

TESTIMONY BY GLENN HAMER
PRESIDENT AND CEO
ARIZONA CHAMBER OF COMMERCE AND INDUSTRY
BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS, SUBCOMMITTEE ON THE WESTERN
HEMISPHERE
DECEMBER 9, 2013
TUCSON, ARIZONA

Chairman Royce, Chairman Salmon, members of the committee, my name is Glenn Hamer and I am the president and CEO of the Arizona Chamber of Commerce and Industry. On behalf of Arizona's job creators, I thank you for the opportunity to provide testimony at this important field hearing examining best practices in U.S.-Mexico trade. I believe you have come to Arizona at a critical time in our state's relationship with our neighbor to the south, a relationship that continues to improve and strengthen thanks to outstanding leaders like the Tucson Hispanic Chamber of Commerce's president and CEO, Lea Marquez Peterson, who you will hear from later in this panel.

We are less than a month away from the 20th anniversary of the implementation of the North American Free Trade Agreement, a trilateral trade pact that created incredible market access for manufacturers, increased consumer choice and was integral to the creation of over 2 million jobs here in the U.S. in the agreement's first six years from 1994-2000, a time of unprecedented U.S. economic growth.¹

With 20 years of positive experience under our collective belts, the U.S., Mexico and Canada are now part of the Trans-Pacific Partnership trade talks, an agreement poised to link the markets of Asia and the Americas, accounting for 792 million people and a combined GDP of \$27.5 trillion.² The NAFTA nations together are stepping strongly into the next generation of international trade.

The importance of trade with Mexico is not lost on the Arizona Chamber of Commerce and Industry or the larger business community. We are fully cognizant of the six million U.S. jobs that depend on trade with Mexico and the \$12 billion in trade between Mexico and Arizona in 2012 alone.³ A productive, meaningful relationship with Mexico is critical to our country and our state's economic health.

¹ http://www.plie.com/publications/chapters_preview/332/02jie3349.pdf

² <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/tpp-tpa/index.aspx>

³ <https://www.azpm.org/p/home-featured/2013/11/29/28795-az-week-state-strategizes-to-improve-trade-with-mexico/>

To that end, the Chamber in 2012 formed a Trade and Tourism Committee, which serves as our one-stop public policy shop for trade and international travel promotion. Under the auspices of this committee, our Chamber has advocated for improved transportation links between our state and Sonora, increased international flights from Mexico and better resources and infrastructure to process the trade flowing between our two countries. Earlier this year, Sonora Gov. Guillermo Padrés Elías was a featured speaker at our Arizona Manufacturers Council Manufacturer of the Year Awards. The governor reminded everyone in attendance of the unique and special relationship between our two states and why our two states' economic futures are so intertwined.

In 2013 alone, I have had the distinct pleasure of traveling to Mexico City with our Speaker of the House Andy Tobin as part of a bipartisan delegation of lawmakers and business leaders to visit with members of Mexico's Congress, and I have traveled to Guadalajara with Phoenix Mayor Greg Stanton to kick-off new air service between those two cities by Volaris Airlines, a Mexican low-cost carrier, adding to the already robust offerings to and from Mexico by U.S. Airways from their Phoenix hub.

Our professional sports teams have also recognized the importance of the Mexican market and the positive role sports can play in forging new relationships. I can tell you from my experience on the Guadalajara trade mission that having the Diamondbacks' World Series hero Luis Gonzalez as part of your delegation makes an incredibly positive impression. Our NFL Arizona Cardinals have played a regular season game in Mexico City and have a huge broadcast presence in Mexico, where their games are broadcast to 18 cities throughout the country, including Mexico City and Guadalajara. The NBA's Phoenix Suns have not only participated in trade missions to Mexico, but they are the first NBA team to conduct their own youth basketball clinics in that country.

That Arizona is actively courting new business opportunities in Mexico might come as a surprise to some, but not to longtime Arizonans, who can point to a rich legacy of cross-border leadership.

Former Southern Arizona Congressman Jim Kolbe from right here in Tucson is a nationally recognized expert in the importance of trade between the U.S. and Mexico. His contribution to the U.S.-Mexico relationship is so consequential that it is not hyperbole to say that without Jim Kolbe, there might not be a NAFTA.

Congressman Kolbe was also critical in the expansion of the border travel zone, which governs how far Mexican nationals in possession of a valid Border Crossing Card may travel before requiring additional documentation. Because of Rep. Kolbe's work in 1999, Mexicans crossing the border into Arizona may travel as far north as Tucson, where they can enjoy world-class resorts and shopping destinations. Along most of the U.S.-Mexico border, Mexican visitors may travel only 25 miles north before requiring an additional form⁴, though earlier this year, the

⁴ http://www.cbp.gov/xp/cgov/travel/id Visa/i-94_instructions/

Department of Homeland Security expanded the border zone in New Mexico, where business leaders there cited Arizona's positive experience as a case study for increased travel access.⁵ The Maricopa Association of Governments, the council of governments for the greater Phoenix area, is now leading an effort for the entire state to be considered as part of the border travel zone as a means to further grow the tourism opportunities between Arizona and Mexico.⁶

Rep. Kolbe's work for the border and Arizona continues. He is now co-chairing the Transportation and Trade Corridor Alliance, which is charged with linking Arizona to the global economy by improving our state's trade and logistics offerings by identifying ways to increase the value of our trade corridors.

Arizona is also home to the Arizona Mexico Commission. The AMC, chaired by Gov. Jan Brewer, has since 1959 sought to promote a better relationship between Arizona and Sonora through twice yearly plenary sessions and cultural and educational exchanges. The AMC has been at the forefront of travel visa policy, trade promotion and transportation. It is because of the AMC that the governors of Arizona and Sonora have had a direct line of communication for over 50 years.

In just the last few years, Arizona has dramatically stepped up its efforts to promote our state's outstanding business environment to the rest of the world. Mexico figures prominently in that strategy. Arizona in 2010 formed the Arizona Commerce Authority, a public-private entity to lead the state's job-attraction efforts.⁷ The ACA, in partnership with the AMC, has re-opened the once shuttered Arizona state office in Hermosillo, Sonora, ensuring that once again Arizona has a presence in our neighboring state's largest city.

The push is on to open additional trade offices in Mexico. Speaker Tobin has touted the value of the state once again having a permanent office in Mexico City, and Mayor Stanton and the City of Phoenix are poised to open an office in Mexico's capital city next year. Arizona leaders know that so much more can be done to grow the \$6.3 billion in goods Arizona exports to Mexico, \$1.8 billion of which comes from the metro Phoenix area.⁸

There are so many positive things happening between Mexico and Arizona and our state leaders are redoubling their efforts to forge closer ties with our southern neighbor. Mexico finds itself in a unique period in its history that creates new opportunities for Arizona. Mexican President Enrique Peña Nieto is a reformer who understands that Mexico must embrace change if it is to assume its rightful place as an economic power. The president has already taken on his country's entrenched educational bureaucracy and is now moving to liberalize his country's petroleum market.

⁵ http://www.cbp.gov/xp/cgov/newsroom/news_releases/national/06072013_3.xml

⁶ http://www.nogalesinternational.com/news/rest-of-state-wants-in-on-border-zone/article_af679486-512e-11e3-84eb-0019bb2963f4.html

⁷ Legislation was passed in 2011 making permanent Gov. Brewer's 2010 executive order forming the ACA.

⁸ <http://www.azcentral.com/community/phoenix/articles/20131120phoenix-to-open-trade-office-in-mexico.html>

I want to commend Chairman Salmon for his sponsorship of the Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act. If the bill becomes law, it would implement the Transboundary Hydrocarbons Agreement signed by the U.S. and Mexico last year, which establishes the framework for developing the oil and gas reserves that cross the maritime boundary between the two countries. It's a critical component for the further modernization of Mexico's energy sector and it gives U.S. energy firms a chance to explore further the Gulf of Mexico. We are fortunate, Chairman Salmon, to have you at the helm of this subcommittee so you can bring your border state insight to these important issues.

There are also a handful of exciting public-private partnerships ready to launch that would knock down non-tariff barriers to trade between our two countries, including allowing U.S. Customs and Border Protection officers to clear freight and produce in Mexico rather than at the border port of entry. I believe that once thorny issues, such as whether CBP officers can be armed while working on Mexican soil, can be overcome and that our two countries can implement creative solutions for processing trade and reducing border congestion.

This is not to say that challenges do not remain. While Arizona's business community is excited about the progress being made to overhaul the country's major port for Mexican produce, the Mariposa Port of Entry in Nogales, by improving its layout and capacity, we are concerned about the staffing resources that will be deployed to the port. As we near ever closer to the passage of a package of immigration reform bills, I would urge you and your colleagues to look for opportunities to improve the human resources devoted to our ports of entry, not just the areas between our ports that are the responsibility of the Border Patrol. Adequate staffing is so vitally important to reducing the miles-long backups of legitimate trade into Mexico. Southern Arizona is known for the beauty of the San Xavier del Bac Mission, otherwise known as the White Dove of the Desert. We don't want the Mariposa Port to be known as the White Elephant of the Desert.

We also must greatly improve our transportation links in the border region. Congress took a positive first step by designating the highway between Las Vegas and Phoenix as Interstate 11, an integral link in the so-called Canamex trade corridor linking all three NAFTA nations, which will also connect the country's two largest metro areas not connected by an interstate. But we must also reduce the bottlenecks that prevent freight from reaching the interstates in the first place. Mariposa Rd., also known as Arizona 189, needs to be expanded or reconfigured in such a way that trucks leaving the port of entry can bypass the congestion of Nogales and head north on Interstate 19.

In a time of austere federal and state budgets, we understand that there are no easy solutions to the challenges of port staffing and transportation infrastructure, but please know that you have a willing partner in Arizona's business community in addressing these challenges.

Once again, on behalf of the Arizona Chamber of Commerce and Industry, I very much appreciate the opportunity to be here today and I would be happy to take any questions you might have.

Mr. SALMON. Thank you, Mr. Hamer.
Mr. Hutchens, you are recognized.

**STATEMENT OF MR. TIMOTHY C. HUTCHENS, EXECUTIVE VICE
PRESIDENT AND HEAD, FEDERAL LESSOR ADVISORY
GROUP, CBRE, INC.**

Mr. HUTCHENS. Thank you, Mr. Chairman. I would also like to thank the ranking member when he returns and the rest of the committee for the opportunity to appear before you today.

In his invitation to appear today, Chairman Royce indicated that the purpose of the hearing was to examine the U.S.-Mexico trade relationship, including existing trade mechanisms, and the projects that are being considered, and what can be done to streamline commerce with Mexico. A critical element for a strong cross-border trade with Mexico is sufficiently-sized, well-equipped, and adequately-manned land ports of entry that promote the efficient movement of people as well as goods across the border by taking advantage of the latest technologies. This applies to all modes of cross-border traffic, including pedestrians, automobiles, trucks, and rails, as each of these will benefit cross-border trade if they are handled efficiently and effectively.

As the volume of commerce with Mexico has increased over the past 15 years, the capacity and technology of our LPOEs has not kept pace with this increasing demand. This is seen most often, as we have heard several times today, in long lines and extended wait times that are now common at many of our southwestern border LPOEs, especially for truck traffic. Further, while these long lines evidence the need for border station improvements. What they do not show is the loss of trade as shippers and manufacturers either scale back operations or direct trade and commerce elsewhere. Addressing this deficiency on both sides of the border is critical if we are to continue to enhance and encourage increased trade with Mexico.

This is not to say that we have completely ignored the need for improvements to our LPOEs on the southwestern border during the last decade. In recent years, in fact, primarily as a result of the Stimulus Act, we have invested over \$950 million in improvements to our border facilities around the country, not just on the southwestern border, and added significant new technologies. The primary expenditure of these funds on the southwestern border has been on the completion of phase one of the redevelopment of the San Ysidro LPOE and the significant corollary improvements at Otay Mesa.

And this investment is paying off in the increased flow of goods in both directions across the border in the San Diego area to the tune of almost \$1.2 billion a day in cross-border trade in that region. What is needed now is a similar investment in other key southwestern border stations in California and here in Arizona as well as in Texas and New Mexico that are important to U.S.-Mexico trade. Given the need for this investment and the scarcity of Federal dollars to address this need, I believe the government must actively consider, where appropriate, engaging with the private sector to seek alternative development services and funding for the redevelopment of these border stations.

There was a reference to public-private partnerships. What I am discussing are not public-private partnerships because that is a bad word at OMB. We refer to these as public-private collaborative efforts to stay within the bounds of their rules. But in these types of transactions, which are an alternative to the Federal design bid build approach to standard construction, the government would enter into a ground lease of an aging asset with a private development team who in turn commits to using its own financial resources and technical expertise to replace or significantly renovate the facility in question in full compliance with government requirements.

The government would in turn lease the redevelopment improvements for a lease term not to exceed 20 years pursuant to a lease which itself is approved by the relevant congressional oversight committees. This approach will reduce, if not eliminate, the need for current appropriations dollars and can offer many key additional benefits besides just the improvements. These include insulating the Federal Government from cost increases that are so common in Federal construction projects since they are fixed priced projects; an ongoing obligation on the part of the private sector to actually maintain these facilities for the full term of the lease; freeing up the U.S. CBP personnel to focus on their core mission of border operations and border security; significantly shortening the development timeline for these projects by as much as 3 to 5 years over Federal appropriation; enhancing border security from the resulting physical, locational, and technological improvements that these projects will entail; and significant environmental benefits, primarily from reduced vehicle emissions at the border stations as wait times are reduced.

The funding for these projects would ultimately come from two sources, the lease payments that would be due from the Federal Government in future years and, in most instances, by the implementation of a tolling operation at the affected border station. Tolling appropriately shifts a portion of the costs of the—excuse me. Tolling appropriately shifts a portion of the costs to the key beneficiaries of the new and improved border stations, the users. Modern technology—and this is important—affords the ability to implement fully automated tolling regimes at our border stations which will not impact or add any further burden on the CBP as they operate these border stations.

Questions have been raised about whether this approach would constitute an evasion of the congressional budget process, and I would answer that it does not. It is far from it. Far from being an evasion, current law permits the ground lease of these facilities, and before any CBP occupancy lease can be signed, it must be approved by various House and Senate committees to ensure compliance with oversight and budget priorities established by Congress.

As I noted, this approach would be particularly effective for larger projects, such as the critical need that CBP and GSA have identified for the LPOEs at Calexico, California, which is also a project supported by the local stakeholders, by the Mexican Government, and by California Governor Jerry Brown. The Calexico downtown port of entry is located too close to the border, and its aging facilities have limited space, resulting in difficulties in both trade and

security, yet this facility handles over 4 million vehicles and 5 million pedestrians a year. Calexico East, while relatively new—it was built in 1997—is currently handling almost 8,000 cars and 1,000 trucks a day, approximately double its original intended capacity.

My written statement includes more information about Calexico, but I believe this project could serve as a model for similar projects, including needed projects here in Arizona. In the case of Calexico, it is also important to note that the Mexican Government has already earmarked funds for the corollary improvements which need to occur on the other side of the border to make the border station improvements function and work as intended.

On a final note, it has been argued by some that current budget guidelines do not allow this type of an occupancy lease that I am proposing because these assets are special purpose assets of the government. I would counter this by noting that the intent of this budget guideline and the requirements that assets leased have a private sector market is to prevent the government from leasing goods and services—goods and materials—excuse me—that can only serve a governmental purpose.

A good example of this is war materials, and, in fact, this restriction was introduced specifically to prevent the leasing of warships—excuse me—of airplanes and warships during the Vietnam era. In the case of LPOEs, we are essentially talking about buildings and roads, items that are in use in the private sector throughout the Nation. Of course, the government use here, as it is whenever the government leases an asset, is for governmental use, but the key is that the assets are not unique.

I believe the approach I have discussed could have both immediate long-lasting benefits for enhancing trade as well as increased border security, and I would encourage the committee to consider it further.

[The prepared statement of Mr. Hutchens follows:]

TIMOTHY HUTCHENS
EXECUTIVE VICE PRESIDENT, FEDERAL LESSOR ADVISORY GROUP, CBRE, INC.

HOUSE COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Monday, December 9, 2013

"Improving Security and Facilitating Commerce with Mexico at America's Southern Border"

Mr. Chairman, Ranking Member and Members of the Committee: Thank you for the invitation to testify today. I am grateful for the Committee's interest in best practices in U.S. – Mexico trade and am pleased to have this opportunity to discuss the impact of improvements to the U.S. Land Ports of Entry facilities on improved trade with Mexico along with alternative approaches to the funding and development of such improvements.

A key, although sometimes overlooked element in encouraging trade with our neighbors to both the North and the South is the efficient movement of goods and people across our borders and the role the physical facilities that make up our Land Ports of Entry (LPOE) can play in encouraging or discouraging that movement.

A significant majority of goods traded with Mexico, including both imports and exports, are moved by truck or rail through the 52 LPOEs that serve the U.S. – Mexico border. A significant majority of all people entering the U.S. from Mexico also come through these LPOEs. Of the 52 LPOEs on the U.S. – Mexican border, eight are rail with the remainder serving pedestrians, autos and trucks. These 44 border stations include 27 in Texas, three in New Mexico, seven in Arizona, and seven in California. The key border stations serving cross border truck traffic include Otay Mesa, Tecate, Calexico East, San Luis, Nogales, Santa Teresa, El Paso, Del Rio, Laredo, Eagle Pass, Hildalgo, Progreso, and Brownsville. These thirteen LPOEs consistently serve 98% of all cross border truck traffic between the U.S. and Mexico. These border stations along with the border stations at San Ysidro, Calexico, and Mariposa also serve over 90% of all auto and pedestrian traffic.

Cross border trade is a significant driver of economic activity along the Southwestern border and in the country as a whole. In connection with the opening of new pedestrian only vehicle lanes at San Luis in September of 2012, GSA Regional Administrator Ruth Cox confirmed the importance of the LPOEs to both the U.S. and Mexican economy when she stated, "Improving the infrastructure at our land ports of entry on the United States – Mexican border is vital to the economic vibrancy of both countries." *Statement of Ruth Cox at the dedication of the new POV lanes at San Luis, September 06, 2012.* Looking at cross border trade in the largest market, San Diego – more than \$1.2 billion dollars worth of trade crosses the border each day. Taken as a whole, Latin America now accounts for 42% of all U.S. exports, more than any other region further emphasizing the importance of U.S. – Mexico trade to the U.S. economy.

While both the U.S. and Mexico have made significant investments in their respective LPOEs over the years, additional investment in both the facilities and their operations would benefit and strengthen U.S. – Mexico trade. The last significant investment in our border facilities occurred as a result of the American Recovery and Reinvestment Act which provided approximately \$980 million dollars for improvements to border facilities and border security technology. In its 2010 budget submission, while

it acknowledged the importance of the stimulus act investment in our border facilities, CBP also acknowledged that “the infrastructure and facilities supporting many of our ports of entry are outdated and aging.” *Testimony of Jayson P. Ahern, Acting Commissioner, USCBP, before the Senate Judiciary Committee, September 11, 2009.*

The most significant detriment to cross border trade presented by outdated, undersized and/or understaffed LPOEs is excessive wait times and limited hours of operation. Excessive wait times and limited hours of operation impact both the overall volume of trade and the timing of shipments between the two countries. This not only hurts economic activity, but has detrimental environmental impacts as well. Expanding and improving border facilities will reduce wait times thereby encouraging expanded economic activity in both the U.S. and Mexico. Given the positive impact that improvements to our border facilities will have on our economy, such investments should be viewed not just as a cost and expense of Government, but as investment in the economic infrastructure of the U.S. in much the same way as investments in roads and bridges and other key components of U.S. infrastructure.

Given the ever increasing demands on limited federal budget dollars, it is important that Congress and the President consider alternative approaches to funding the design and development of improvements to the border facilities which are critical to U.S. – Mexico trade. One such approach, which is similar to the techniques that the Government is considering for the redevelopment of the SW Federal Center and the design and construction of a new headquarters for the FBI in the Washington DC metropolitan area, would be to engage the private sector to provide development capability and financing for critical border station infrastructure projects. This approach would engage and benefit from private sector development expertise while leaving USCBP free to focus on its core mission of border operations and security. The implementation of this approach can also benefit from tolling operations that would defray a portion of the costs of these critical projects.

The key benefits of this approach include, but are not limited to:

- A transaction structure which can serve as a model of public private cooperation that can be duplicated across the country;
- A project approach that will result in the completion of millions of dollars of improvements to critical border stations with little or no outlay of federal construction funding;
- Project schedules that will place these critically needed improvements in service three (3) to five (5) years faster than federal construction, assuming appropriations are even available for the federal construction;
- Projects that will significantly ease ever increasing border congestion for pedestrian, autos and trucks;
- Projects that will significantly enhance border security by providing USCBP and the agencies it works with to protect our borders, the modern facilities they need to effectively carry out their mission;
- Undertakings that will provide major environmental benefits especially through reduced vehicle emissions as border wait times are lessened;
- Projects that will spur economic growth along the Southwestern border and Northern Mexico;
- A project implementation plan that relies on the design and development expertise of the private sector freeing up USCBP to focus on its primary mission – border security;

- A project approach that insulates and protects the Government from development and operating cost overruns; and
- Where possible, the implementation of tolling in a fashion that will significantly reduce lease and operating costs to the Federal Government while not overburdening pedestrian and non-commercial vehicles.

The proposed approach contemplates that existing LPOE infrastructure would be leased to a non-federal entity (such entities may include local and/or state development authorities which have significant stakes in cross border trade best practices) selected to re-develop the LPOE. The intent of this approach is to use the existing contracting authorities and have the U.S. Government, acting either through GSA or DHS as appropriate, enter into a 45 to 50-year site lease. This site lease would be subject to the requirement that the private sector lessee re-develop the applicable LPOE in accordance with a pre-agreed scope. At the same time, the lessee would enter into a 20-year facilities use agreement pursuant to which the lessee will lease the renovated facilities to the Government and would also agree to provide facility operations and maintenance for the LPOE for the full term of the Lease. The facility use agreement could be extended at the option of the Government for an additional 20-year term. DHS-CBP would, of course, continue to provide all border security and border crossing functions within the leased facilities, but would be relieved of the obligation to operate, maintain and repair the facilities themselves during these lease terms.

This unique approach to these critical facility redevelopment projects will result in a significant capital infusion from the private sector and at the same time bring to bear the expertise of the private sector in facility design, development and operation as the projects are implemented.

The test case for the implementation of this approach to border facility re-development can take place with the Calexico East and West Land Ports of Entry. These facilities currently handle 5.2 million pedestrians, 7.08 million personal vehicles, and 322 thousand truck crossings per year. While relatively new, the Calexico East LPOE which handles all of the truck crossings is undersized and operates a limited daily schedule, leading to long delays and significant potential loss of cross border trade. The Calexico West LPOE is one of the older facilities on the Southwestern border with very limited space and facilities to handle its almost 9 million border crossings per year. In addition, this facility is positioned immediately adjacent to the border resulting in a less than desirable security mechanism. As a critically important project, the Government has funded and executed the design for a renovated facility, but funding for the actual construction is behind the original planned schedule and is not currently budgeted making this an ideal project for the suggested approach.

A local joint venture including elements of the City of Calexico, the County of Imperial, and various private development entities including the project architect GSA used for the Government-funded design, a general contractor and a tolling company have submitted a proposal to GSA for its consideration. The graphic on the following page illustrates the general outline of the transaction. The approach outlined would incorporate all of the benefits outlined above along with the assumption of facility operations during the full term of the lease. I would encourage the Committee to work with the relevant Government agencies, including USCBP, GSA and OMB to fully investigate, and if appropriate pursue, this or similar projects as a best practice in promoting and enhancing U.S. – Mexico trade.

Thank you. I look forward to your questions.

Mr. SALMON. Thank you, Mr. Hutchens.
Mr. Wilson, you are recognized.

STATEMENT OF MR. CHRISTOPHER WILSON, ASSOCIATE, MEXICO INSTITUTE, WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Mr. WILSON. Chairman Salmon, Ranking Member Sires, members of the subcommittee, thank you for this opportunity to join such a distinguished panel of experts to address the important issue of U.S.-Mexico trade and border management. In my testimony I will focus on the development of a multifaceted approach to border management that promotes security, trade and competitiveness and a high quality of life for those living in the border region. I will present a summary of my full written testimony, which I have submitted to the subcommittee for inclusion in the record.

Over the last 20 years, there have been two clear turning points in border management, and a third one may well be underway. First was the implementation of the North American Free Trade Agreement in 1994, which lowered barriers to trade and investment and caused tremendous growth in cross-border flows. This trend of quickly rising legitimate cross-border traffic during the first years of the post-NAFTA era ended in 2001. Whereas between 1993 and 2000, bilateral trade grew at an average annual rate of 17 percent, between 2000 and 2008 trade growth cooled to just 5 percent per year.

Security improvements at the border ports of entry following the terrorist attacks of 2001 were real and significant, but they came with a cost to businesses and border communities: The long and unpredictable wait times to cross the border. The unique nature of U.S.-Mexico trade causes congestion at the border to have a magnified impact on regional manufacturers. The key is that the United States and Mexico do not simply buy and sell finished products; they build them together.

The manufacturing sectors of our two countries have become deeply integrated and, as a result, materials and parts often flow back and forth across the border multiple times as goods are manufactured. This means that any cost associated with crossing the border—paying a trucker to wait in line, using a customs broker, et cetera—is often paid multiple times during the production process. These costs, which amount to a border tax, eat away at the competitiveness of these goods and provide an inadvertent boost to the relative competitiveness of manufacturers outside our North America region.

Thankfully, the story does not end with the slow growth of the early and mid-2000s. After falling sharply during the Great Recession, U.S. exports to Mexico have rebounded, growing at an average annual rate of 19 percent per year, which is faster than the growth in U.S. exports to China. Much of the recent growth is due to changes in the global economy: Currency values, quickly rising wages in China, high shipping costs, et cetera. But also in recent years, border management has become somewhat more efficient. Much remains to be done in this respect.

In my judgment, the framework for border management currently in place is strong. Building on the Smart Border Agreement

of 2002, President Obama and then President Calderon launched the 21st Century Border initiative in 2010, which was reaffirmed by President Obama and President Pena Nieto in May 2013. The concept of a 21st century border asserts that not only can security and efficiency at the border coexist, but that a robust, multifaceted border management strategy can simultaneously improve security, efficiency, environmental sustainability, and the quality of life of residents living in the border region. It is within this framework then that there exists the opportunity to realize the full potential of the U.S.-Mexico partnership for a secure and competitive border.

While significant progress has been made toward this goal, I will outline a few important remaining challenges that the sub-committee may wish to consider. Additional issues are included in the written testimony.

Most cross-border infrastructure was built in the years before NAFTA fundamentally altered the nature of the U.S.-Mexico economic relationship, increasing the volume of traffic and magnifying the importance of connectedness between our two countries. Investments are needed to update and expand port of entry infrastructure.

On staffing, infrastructure can only be utilized if the ports of entry are adequately staffed. While the size of the Border Patrol has increased five-fold since the early 1990s, the number of Customs and Border Protection officers working at the ports of entry has not experienced similar growth.

Trusted traveler programs—trusted traveler programs, which Global Entry, SENTRI, FAST, C-TPAT, and the Mexican NEEC Program are of critical importance. They offer expedited passage across the border to those individuals and companies that have voluntarily undergone extensive background checks and committed to high security standards. By facilitating the flow of designated low risk travelers, border officials increase overall throughput while freeing up staff resources to focus attention on individuals and shipments that present a higher or unknown level of risk. Global Entry and SENTRI are growing quickly, but C-TPAT and especially FAST, which are the commercially-oriented programs, are facing challenges in increasing their levels of enrollment and use. Increasing the portion of commercial traffic in these programs may be among the most cost-effective way to reduce congestion and boost U.S.-Mexico trade.

Finally, cooperation with Mexico. Last, but extremely importantly, border crossings are, by definition, bi-national projects, but border management benefits enormously from coordinated and cooperative efforts. Efforts are needed to ensure that dedicated trusted traveler lanes extend as far back into Mexico as needed so the benefits of limiting border congestion can be maximized. Intelligence sharing for strengthened border security has improved significantly over the past several years, but additional progress is possible there.

In an ideal world, U.S. and Mexican officers would work side by side to run streamlined ports of entry together. To move toward this ultimate goal while continually achieving more concrete short-term progress, ongoing bilateral consultation, confidence building, and capacity building efforts are all needed.

Thank you, Mr. Chairman.
[The prepared statement of Mr. Wilson follows:]

"Improving Security and Facilitating Commerce with Mexico at America's Southern Border"

**Christopher Wilson, Associate, Mexico Institute, Woodrow Wilson International
Center for Scholars**

**House Committee on Foreign Affairs,
Subcommittee on the Western Hemisphere
December 09, 2013**

Chairman Salmon, Ranking Member Sires, Members of the Subcommittee on the Western Hemisphere of the Committee on Foreign Affairs:

Thank you for this opportunity to join such a distinguished panel of experts to address the important issue of U.S.-Mexico trade and border management.

My testimony will focus on the development of a multifaceted approach to border management that promotes security, trade and competitiveness, and a high quality of life for those living in the border region.

The Evolution of Trade and Border Management

Over the last twenty years, there have been two clear turning points in the management of the U.S.-Mexico border, and a third one may well be underway.

First was the implementation of the North American Free Trade Agreement (NAFTA) in 1994, which lowered barriers to trade and investment and caused a tremendous growth in cross-border flows. U.S.-Mexico trade in goods and services now totals more than a half trillion dollars annually, more than five times greater than pre-NAFTA levels. A full 77% of bilateral merchandise trade crosses the southwest border, the majority of it in trucks, and the flow of trucks carrying goods across the border grew significantly during the nineteen nineties, as did the number of individuals crossing the border to shop, visit family and attend school.

This trend of quickly rising legitimate cross-border traffic during the first years of the post-NAFTA era ended in 2001. Whereas between 1993 and 2000, bilateral trade grew at an average annual rate of 17%, between 2000 and 2008 trade growth cooled to just 5% per year. The recession in the U.S. and the accession of China to the WTO both contributed to the slowdown, but so did the major change in border management following the terrorist attacks of September 11, 2001. Security improvements at the border ports of entry were real and significant, but they

came with a cost to businesses and border communities: long and unpredictable wait times to cross the border.

The unique nature of U.S.-Mexico trade causes congestion at the border to have a magnified impact on regional manufacturers. The key is that the United States and Mexico do not simply buy and sell finished products, they build them together. The manufacturing sectors of our two countries have become deeply integrated, and as a result materials and parts often flow back and forth across the border multiple times as a good is manufactured. This means that any cost associated with crossing the border--paying a trucker to wait in line, using a customs broker, etc.--is often paid multiple times during the production process. These costs, which amount to a border tax, end up embodied in the selling price of products manufactured in North America, eating away at the competitiveness of these goods and providing an inadvertent boost to the relative competitiveness of manufacturers outside our region.

Numerous studies have estimated the costs of congestion at the border to the U.S. and Mexican economies, and while the specific numbers vary, one message comes through the research very clearly: both the United States and Mexico experience billions of dollars of lost output each year. To be clear, these costs represent not only tightened security protocols, but also shortfalls in investment in border infrastructure and U.S. Customs and Border Protection staffing levels at the ports of entry.¹ See the table in the appendix for details from the studies on the costs of congestion.

Thankfully, the story does not end with the slow growth of the early and mid-2000s. After falling sharply during the Great Recession, U.S. exports to Mexico have rebounded sharply, growing at an average annual rate of 19 percent per year, faster than the growth in U.S. exports to China (17%). Much of the recent growth is due to changes in the global economy--currency values, quickly rising wages in China, high shipping costs, etcetera. Border management has also become more efficient in recent years, though much remains to be accomplished. As efforts are made toward this end, it is important to recognize that the multiplier effect outlined above also applies to declines in the cost of crossing the border. That is, as steps are taken to improve the flow of legal commerce across the border, the benefits will be multiplied because of the tendency of co-manufactured goods to incorporate parts and materials from both sides of the border, necessitating multiple crossings during the manufacturing process.

In my judgement, the framework for border management currently in place is strong. Building on the Smart Border Agreement of 2002, President Obama and then President Calderon launched the 21st Century Border initiative in 2010, which was reaffirmed by President Obama and President

¹ Mikhail Pavlov, Customs and Border Protection, DHS, "Meeting Land Port of Entry Modernization Needs in Constrained Budgetary Environment," presentation to the Joint Working Committee, March 14-15, 2012; Government Accountability Office, Border Security: Despite Progress, Weaknesses in Traveler Inspections Exist, GAO-08-329T, Washington, DC: January 2008.

Peña Nieto in May, 2013. The concept of a 21st Century Border asserts that not only can security and efficiency at the border coexist, but that a robust, multifaceted border management strategy can simultaneously improve security, efficiency, environmental sustainability and the quality of life of residents of the border region.

It is within this framework, then, that there exists the opportunity to realize the full potential of a U.S.-Mexico partnership for a secure and competitive border.

While significant progress has been made towards this goal, I will outline a few important remaining challenges that the Subcommittee may wish to consider.

- **Setting goals:** Over the past year, Congress has devoted significant attention to the need for clear goals regarding border security. A similar conversation regarding border efficiency may likewise be necessary. There currently exists no consensus over how long it is reasonable to expect an individual or a truck to wait in line before crossing the border. The variability in levels of traffic and the need to prioritize security make it impossible to achieve perfect uniformity over time or across ports of entry along the border, and the design of any wait-time goals must take this into consideration.

- **Measuring progress:** Data on wait times needs to be made more reliable in order to better diagnose the costs of border inefficiency and to benchmark progress on making border wait times shorter and more predictable. New methodologies, mainly based on RFID chips and Bluetooth devices, can resolve current issues in measuring wait times, and progress is being made toward this end.

- **Infrastructure:** Most cross-border infrastructure was built years before NAFTA fundamentally altered the nature of the US-Mexico economic relationship, increasing the volume of traffic and magnifying the importance of connectedness. Investments are needed to update and expand port-of-entry infrastructure.

- **Staffing:** Infrastructure can only be fully utilized if the ports-of-entry are adequately staffed. While the size of the Border Patrol has increased five-fold since the early 1990s, the number of Customs and Border Protection officers working at the ports-of-entry has not experienced similar growth. Recognizing the costs of congestion and the need for additional CBP staff to reduce long lines at the border crossings, the CREATE Homeland Security Center at the University of Southern California put together a study, finding each additional CBP officer would lead to a two million dollar increase in U.S. GDP and would create thirty-three American jobs.²

² Bryan Roberts et al., "The Impact on the U.S. Economy of Changes in Wait Times at Ports of Entry," University of Southern California CREATE Homeland Security Center, April 4, 2013, <http://create.usc.edu/CBP%20Final%20Report.pdf>.

- **Trusted traveler programs:** Trusted traveler programs--Global Entry, SENTRI, FAST, C-TPAT, and the Mexican NEEC program—are of critical importance. They offer expedited passage across the border to those individuals and companies that have voluntarily undergone extensive background checks and committed to high security standards. By facilitating the flow of designated low-risk travelers, border officials increase overall throughput while freeing up staff resources to focus attention on individuals and shipments that present a higher or unknown level of risk. Global Entry and SENTRI are growing quickly, but C-TPAT and especially FAST (the commercially oriented programs) are facing challenges in increasing their levels of enrollment and use. Increasing the portion of commercial traffic in these programs may be among the most cost-effective way to reduce congestion and boost U.S.-Mexico trade.

- **Public Private Partnerships:** Public Private Partnerships and other non-traditional funding mechanisms to build and staff cross-border infrastructure can complement and leverage government investments. Some example of such projects exist along the southern border and new pilot projects are underway. At some point, though, additional legislative action will likely be needed to create a clear and permanent legal framework defining and regulating the role of private (and subnational government) investment in border infrastructure and management.

- **Cooperation with Mexico:** Last, and extremely importantly, border crossings are, by definition, binational projects, and border management benefits enormously from coordinated and cooperative efforts. In the case of the southern border, coordination is needed to make sure the construction of new or expanded crossings are completed within similar timeframes. Efforts are needed to ensure that dedicated trusted-traveler lanes extend as far back into Mexico as does border congestion so that their benefits can be maximized. Intelligence sharing for strengthened border security has improved significantly over the past several years, but additional progress is possible. In an ideal world, U.S. and Mexican officers would work side by side to run streamlined ports of entry. To move toward this ultimate goal and to continually achieve more concrete short-term progress, ongoing bilateral consultation, confidence-building, and capacity-building efforts are all needed.

In conclusion, there is a strong opportunity to create jobs, economic growth, and increase the competitiveness of North American manufacturers through improved border management. Moderate investments in border infrastructure and staffing are needed, but much can also be done by improving efficiency and U.S.-Mexico cooperation at the border. The payoffs for each of these actions would be considerable.

Appendix

Table 1. The Costs of Congestion

Studies of the Costs of Border Wait Times and Congestion to U.S. and Mexican Economies						
Region of Crossings	Region of Economic Impact	Wait Time (min.)	Year of Potential Impact	Cost to Regional Economy (billions of USD)	Costs in Jobs	Source
San Diego - Tijuana	U.S. and Mexico	...	2007	\$7.2	62,000	SANDAG, 2007 Update
Imperial Valley - Mexicali	U.S. and Mexico	...	2007	\$1.4	11,600	HDR/HLB IVAG 2007
Tijuana	Mexico	180	2007-2008	\$1.9	57,000	Del Castillo Vera, COLEF, 2009
Ciudad Juarez	Mexico	132	2007-2008	\$1.5	87,600	Del Castillo Vera, COLEF, 2009
Nuevo Laredo	Mexico	174	2007-2008	\$3.7	133,800	Del Castillo Vera, COLEF, 2009
Nogales	Mexico	66	2007-2008	\$0.2	18,000	Del Castillo Vera, COLEF, 2009
US-Mexico Border	U.S.	63	2008	\$5.8	26,000	Accenture Draft, March 2008
US-Mexico Border	U.S.	99	2017	\$12.0	54,000	Accenture Draft, March 2008
El Paso/Cd. Juarez	El Paso/Cd. Juarez	2008 peak times: ~45 - 220	2035	\$54.0	850,000	Cambridge Systematics Inc., June 2011
US-Mexico Border	U.S.	...	2011	\$7.8	...	Hummer, Bloomberg, 2013

Note: Year of Potential Impact refers to the year in which the listed monetary and employment effects take place. For dates before 2009, this refers to the estimated costs for the year of the study. For future years, this refers to the estimated cost that will take place if the border is not made more efficient. Sources: Cambridge Systematics, *El Paso regional Ports of Entry Operations Plan*, Texas Department of Transportation and Cambridge Systematics, June 2011; Gustavo Del Castillo Vera, "Tiempo de espera en los cruces fronterizos del norte de México: una barrera no arancelaria," *Comercio Exterior*, Vol. 59, No. 7, July 2009, 555; SANDAG, *Economic Impacts of Wait Times in the San Diego-Baja California Border Region Fact Sheet: 2007 Update*, Accenture, Draft: *Improving Economic outcomes by Reducing Border Delays*, Accenture and Department of Commerce, March 2008; HDR/HLB, *Imperial Valley - Mexicali Economic Delay Study*; HDR, *Imperial Valley Association of Governments and California Department of Transportation, District 11*, November 19, 2007; Matthew Hummer, Bloomberg, 2013.

Mr. SALMON. Thank you. It is now time for the members of the subcommittee to be able to ask questions. Before I ask the first question, I would like to introduce this letter from the Fresh Produce Association of the Americas regarding our ports of entry and some of the concerns that they have, without objection.

I am going to start out by yielding myself 5 minutes for questions, and I would like to start out with you, Ms. Márquez Peterson. How has the emphasis on border security affected the competitiveness and productivity of industries located along the U.S.-Mexico border and throughout the United States, in your estimation?

Ms. MÁRQUEZ PETERSON. Mr. Chairman, certainly the conversation about border security is very complex, and a lot of the businesses that we work with are primarily small businesses that are interested in trade cross-border. Where we have seen the challenges occur is really the wait times and impediments of regulation when people are considering doing cross-border trade.

I do not believe that particular border security details have perhaps impacted them as much as the lack of resources in the Customs officers, which increases their wait time at the border, and certainly impacted our retailers in southern Arizona, manufacturers, and entities, like the Fresh Produce Association.

Mr. SALMON. To what extent do you think the U.S. Government has included the views or ideas of U.S. manufacturers and importers in the design of its border security efforts or ports of entry improvements?

Ms. MÁRQUEZ PETERSON. So, Mr. Chairman, that is a very interesting question. I think at the State level, which is primarily where I operate, there is an Arizona Manufacturing Council, which Glenn is very familiar with. I think more conversation could be occurring. The conversation, such as the tour that we recently hosted to the Offshore Group where they are an Arizona entity allowing and helping American businesses who want to manufacture in Mexico. I believe more dialogue could occur at that point. There are some great resources that I think they could be giving you day-to-day experiences.

Mr. SALMON. Have manufacturing industries presented proposals on how trade facilitation could be enhanced? And, if so, what are the proposals?

Ms. MÁRQUEZ PETERSON. So, Mr. Chairman, I am not aware of proposals specifically for the manufacturing industry in the State of Arizona, but perhaps Glenn Hamer can speak to that a little bit more.

Mr. SALMON. Okay. Mr. Hamer, maybe you could address that. And then, Mr. Hamer, I had an additional question on that. Does the CBP have adequate personnel to manage trade flows at ports of entry on the U.S.-Mexico border? And how would increasing CBP officer deployments affect port hours of operation, border wait times, trade enforcement, and import safety?

Mr. HAMER. Mr. Chairman, both are great questions, and I believe one of the things that has really come out of this hearing is that there is a real staffing issue. You know, we have some really good things happening on the infrastructure side, but an infrastructure that is not adequately staffed is still going to create major problems. And it really seems that, you know, one of the

major things that could come out of this hearing is the need to make sure that we have more resources on the Customs side.

If we are able to get these new facilities or these modernized facilities properly staffed, we are going to see a decrease in wait time, and that will increase our competitiveness, particularly in Arizona. I believe one of the witnesses or earlier today it was discussed that we are having some issues with Texas now. And I know not everyone on the dais is from Arizona, but from the Arizona perspective, we want to make sure that we can have the maximum amount of international trade go through our borders. And probably the most concrete thing I could say is if we are able to get some additional resources into Customs, you could almost take it to the bank that we are going to see smoother trade between our two nations.

Mr. SALMON. One of my big frustrations is that a lot of times in government we are penny wise and a pound foolish, and we ought to be putting more and more resources into those areas that are profit centers, and this definitely is a profit center. This is an opportunity to increase commerce, and increase jobs, and increase revenues, and it seems like kind of a no-brainer.

Mr. HAMER. And, Mr. Chairman, if I may say, you know, during your first round in Congress, I would argue that few, if any, members had more of an impact in really increasing our commercial opportunities with Asian countries. I mean, you take a look at a lot of the work that you did for normal trade relations and increasing our trading relationships with other Asian countries, and you look at the increase in wealth and opportunities in that part of the world. I think the more we do on the infrastructure in our neck of the woods, the more prosperous our State will be.

Mr. SALMON. Mr. Hutchens, I am running out of time. But, you know, I think the entire panel has pretty much shared with us today that the existing infrastructure and personnel are inadequate to meet the demands of our current commerce or desired commerce levels with Mexico. You have come up with some good ideas for accomplishing things with limited government resources. Could you maybe share what port infrastructure investments should be viewed as top priorities?

Mr. HUTCHENS. Obviously the project that we have identified as the top priority right now is Calxico, and part of the reason we have identified Calxico as opposed to, you know, certain Arizona LPOEs that require massive infrastructure as well, is because the GSA has already funded the design for the redevelopment of Calxico. This project was recognized as a mission critical project 5 years ago. Twenty-eight million dollars has been since spent on the design, but the budget process for the improvements themselves has not proceeded, you know, very far along. So those plans will get old, they will get stale if you do not move forward on them. So that is why that is the project that we have identified as probably the most mission critical and most doable.

I would like to offer one other comment, if I may, about staffing, and that the approach that I have talked about can also have a very positive impact on staffing at the border stations for two reasons. One, if the air conditioning system breaks at an LPOE, instead of having to take money out of the budget that might other-

wise have gone to Customs agents, the landlord is going to fix it. It is in the budget. It is in the rent. You know what it is. In addition, you are not having to divert personnel and personnel time to the administrative burden of keeping the facilities clean, of keeping the lights on, of these improvements. And that will also free up resources at the CBP level to focus on the core mission.

Mr. SALMON. And ultimately, since I am hearing more from the panel that infrastructure is a big issue, but staffing maybe even is a bigger issue right now, I would be really interested, and time will not permit an answer, but I would love to maybe continue a dialogue on how—I am going to use the wrong term—but public-private partnerships maybe with staffing, too, not just infrastructure, could be addressed by this Congress.

Mr. HUTCHENS. Certainly.

Mr. SALMON. Mr. Sires, I would recognize you.

Mr. SIRES. Thank you, Mr. Chairman. I am just curious. I assume that a lot of the merchandise accounts through these ports come in containers, trucks? How much emphasis is placed on security on the point of departure before it gets to the border as point of entry? Is there a lot of emphasis in negotiations? Because one of the things, I represent the Port of Newark and the Port of Elizabeth, and after 9/11 obviously, we get a lot of merchandise. Eighty percent of the merchandise that comes through those ports is consumed in the region, and only 20 percent goes to the rest of the country.

And one of the questions was, how do we secure these containers? And they have come up with a pretty good system of point of departure, you know, those companies that do business. But, you know, I was just wondering here in Arizona how much emphasis is placed on point of departure as point of entry in terms of security?

Mr. WILSON. If you do not mind, Ranking Member Sires, I can answer that question to a certain extent. The program C-TPAT, Partnership Against Customs Terrorism, is exactly that. It is a program where companies join—

Mr. SALMON. Mr. Wilson, could you bring the mic just a bit closer? Thanks.

Mr. WILSON. Yes, absolutely. It is a program that—there we go. Thank you. It is a program in which companies that join agree to secure their entire supply chain starting at the point of departure. It means that they install things like cameras, seals on their containers, other mechanisms by which they can ensure that the containers are not tampered with in the course of transport to the physical border. And these have been successful because they allow then Customs and Border Protection at the ports of entry to spend less time inspecting these containers because they have a higher level of confidence that they do not contain illicit goods.

Now, the problem is that those programs are not used enough. We still need to get a higher percentage of the total containers crossing the U.S.-Mexico border involved in C-TPAT and the fast lanes that they can then use to cross the border. Some very interesting new efforts are being piloted right now in terms of Customs pre-clearance, which takes this process really one step further. It allows there to be U.S. officials, U.S. CBP officers in Mexico

actually, you know, verifying the safety and security of these containers as they are being processed so that we can spend even less time inspecting them as they cross the border. So it is a program that is very important, both of these programs, and there are ways to improve security and efficiency at the exact same time.

Mr. SIRE. Mr. Hutchens, I was very curious about your program of build, design, and operate. Are you talking about operating actually these border entries?

Mr. HUTCHENS. No, we are talking about operating the, you know, physical facility. The Customs function would be left to CBP agents. In other words, the guy you hand your passport to or who inspects the truck would continue to be a U.S. Government DHS employee. The person is making sure that the lights are on, that the grass is cut, as I said, the HVAC systems are working. And quite frankly, a lot of the maintenance would be in the roads, that the roads are well paved. It would be the private developer who takes over the operation of the facility, but the government operation would stay in government hands.

Mr. SIRE. They would get part of the tolls? Is that how that works?

Mr. HUTCHENS. The tolls would be used to defray the costs of the upfront improvements. You know, for instance, again, at Calexico, we are talking about doubling the size of the east port of entry, adding 3 new truck lanes, adding 6 new passenger lanes. The tolls would go toward helping fund the cost of those improvements.

And this is not a completely unique technique. It has been employed by the Department of Energy. I just mentioned it since we are in Arizona. And the Department of the Army specifically, the Army was interested in working with Arizona in keeping General Motors' warm weather test track here in Arizona. And we did a project at Yuma Proving Ground where the Army leased the land to General Motors. General Motors built a shared new test track which is now used by the Army and General Motors for vehicle testing. It is a very similar type process.

Mr. SIRE. Yeah, I am familiar with this build and design operation because we built a light rail. It is more used and more effective with transportation because the concern I would have is the security part of it.

Mr. HUTCHENS. Right, and that is why—

Mr. SIRE. That is why, you know, the operations part of it is handled by the government.

Mr. HUTCHENS. Correct. Correct. Very much like the Chicago Skyway, but, yes, transportation works very well, and this is functionally a transportation project. But the government function would remain with the government.

Mr. SIRE. You know, I always read about the tension on the border. Tell me the impact this tension has had in the last few years on the economy of this region.

Mr. FARNSWORTH. Mr. Ranking Member, I assume you mean the tension between security and economic growth.

Mr. SIRE. Yes. Yes. And after 9/11, everybody is very concerned about terrorism.

Mr. FARNSWORTH. Yes, well, and appropriately so. I do not know that anybody has actually quantified the amount of foregone eco-

conomic exchange, but I think we hear anecdotally all the time of companies that find it easier to get product in from China or product in from other places than simply from our closest neighbor, Mexico, and even Canada, too.

You hear a lot of discussion about the so-called thickening of the border, which means the border itself has become more complicated to get across. And as global production patterns have changed, this becomes important because if you are bringing in a product from China, you bring it into the United States once. If you are producing in North America, that same product might cross the border three, four, five, sometimes even six or seven times. So each time it has to cross the border, that adds cost, delays, everything else.

And I agree with some of the things that have been said in terms of C-TPAT and pre-clearance, and I think that is an important part of the solution. But there are some even more fundamental issues here. Just basic forms that have to be filled out, I mean, they are different on both sides. And they have to be filled out each time the product goes back and forth. I mean, this is just a tyranny of small differences. And what we need, we just need to think bigger about the relationship and the way to understand that patterns of global trade have changed. It is not the way we did things 20 years ago.

North America itself is a production platform, but you also have a couple of things that are coming online here in the next year. Two thousand fourteen is going to be a huge year, perhaps 2015 when they actually open the Panama Canal. You are already seeing ports in the United States dredging deeper, preparing for the patterns of change that are coming through the Panama Canal. Vice President Biden was just there with mayors from various port cities in the United States. That is going to change patterns of trade. It is going to make it easier to get product into ports like New Jersey, and Florida, and Virginia, et cetera. That could impact here.

But you also have the whole idea of energy liberalization in Mexico, too, and we have talked a little bit about it, but I want to be very clear. If that passes in Mexico in the way that it could, that is going to open up a huge opportunity in Mexico, not just in the energy sector, but in every sector where energy is an input, and that is everyone. And to the extent you have the cost of energy decrease in Mexico, which was most likely what would happen, what you are going to see is a manufacturing renaissance in Mexico in the same way it is occurring in the United States and Canada. That is going to put monumental pressure on the border because you are going to have all that product trying to get into the other countries of North America in a way that the border is already over-burdened.

So what is going to happen when that increases dramatically? Now, Mexico is trying to develop relations with China right now. They are trying to develop relations with Europe and other countries in South America so that the United States is not their only market—over 80 percent of their product comes to the United States—but that they diversify.

Having said that, if that energy reform occurs, it is going to be, in our view, very important for the people of Mexico, very impor-

tant in terms of energy integration, et cetera, but you are also going to put increased pressure on that border. So that, plus the Panama Canal, plus the changing patterns of trade means that, you know, if we are still dealing with the border in the way of each border crossing. You know, it takes 20 years or whatever to get upgrades, and we are talking about staffing, and we are talking about forms that do not match. The private sector is just going to say, well, we are going to go somewhere else, and that is what we are seeing. And that is not just here in Arizona. That is across the border. That is Texas. That is California. That is everywhere else.

So there is some urgency here, and the idea of getting the private sector engaged in the financing side I think is very, very important. The appropriations process in Washington takes a long time. We know the budget realities in terms of Washington. There are some big issues here, but I think working together we can work to get through them.

Mr. SIRE. Thank you. Thank you very much, Chairman.

Mr. SALMON. Thank you. Mr. Barber?

Mr. BARBER. Again, I want to thank the chairman and the ranking member for bringing us some really outstanding witnesses. I have a few questions, if I could start with Mr. Farnsworth. We have had several hearings in the Oversight Committee and the full committee of the Homeland Security Committee of the House. And We have focused a lot on what I believe, and I think many members believe, is the lack of accountability and transparency in the operation of the Department of Homeland Security. In all fairness, 22 legacy agencies, trying to pull them together into a common mission, not an easy task.

But when I look at some of the money that I believe, quite frankly, has been wasted, two examples. In Ajo, Arizona, the Homeland Security Department built homes at the average cost of \$600,000 in a community where the average cost of homes is under \$100,000. We had a hearing recently where we were looking at information technology improvements, \$24 million on a project that was stopped because it was not going anywhere.

So my question, Mr. Farnsworth is, given these constraints that we have in these tight budget times, how would you, if you were able to, direct the Department of Homeland Security to focus on priorities? Where would you take that money that should not have been spent wastefully and put it to make the most use in terms of economic development and improvements in what we want to have happen as you all have discussed here today?

Mr. FARNSWORTH. Well, thank you for the question, and I wish Assistant Secretary Bersin were here so that he could answer directly on behalf of—

Mr. BARBER. So do I. [Laughter.]

Mr. FARNSWORTH. So I certainly will not attempt to speak for him or for the U.S. Government. But I do think there are some important realities here in terms of where could additional funds be spent. My personal view is that border infrastructure is a clear winner here because you get to the point, and we have talked a lot about it. All the witnesses have talked about simply the ease of getting across the border. Now, that could be in terms of bridges. It could be in terms of enhanced facilities.

Each local community is going to have their own priorities, and I think that is a critically important aspect of this. We have to get the local communities involved. In fact, in some ways, the local communities need to lead the effort so that they are creating a sense of place not just for the communities on this side of the border, but certainly on the Mexican side of the border as well, so that you have a much more integrated approach. I think that is critically important.

I do think that this is where, frankly, it is important to bring in the conversation of private sector funding because these are projects that are really, really expensive. And I think with new and innovative financing models, I think that is going to be a critically important aspect of the entire effort.

I mentioned in my oral testimony the North American Development Bank, the NAD Bank. I think they are doing some very interesting things. I think to the extent they could get private sector money into their budget process and use that in terms of border infrastructure and development, I think that could be a positive step. I am not sure that people have talked about that in any specific way. But again, there are vehicles there. We just have to be creative and find them.

Mr. BARBER. Thank you for that. And let me just turn to both Lea and Glenn for this question. Sitting on the Small Business Committee, one of the most frustrating things that I have heard over and over again from small businesses is a lack of access to capital. Recently I met with some businesses in southern Arizona. One woman who owned a business, a very successful business, for 20 years, was trying to expand her business along the same track, but in a different area of the country. She went to every bank she could think of in Arizona that she had done business with. Could not get a line of credit or a loan. She ended up going to Portugal to get the line of credit that she needed. I mean, that is outrageous. We cannot have that happen.

So from your experience, first of all, access to capital I think is an issue. What are some of the ways in which you think we can overcome this important problem, because we know that small businesses are 70 percent of our economy? If we get them moving, the economy gets moving. So what would you say about access to capital?

Ms. MÁRQUEZ PETERSON. Absolutely. Thank you, Congressman Barber. That is absolutely the number one issue we hear from small businesses is the access to capital. I wish I had a solution to pitch to you today, but we continue to have this layer. I know there are activities and actions being taken by the U.S. Government that is not flowing down. It is not hitting our small business community. It is even harder to grow a business and get access to capital to grow and expand here in the United States. But when you take that the next step and look to exporting, it is even more challenging.

Our chamber hosted a meeting just yesterday, in fact, with Ex-Im Bank so that we could understand what it took to utilize the services there, to find perhaps more delegate banks in the State of Arizona who could assist businesses who need credit insurance or need to do term loans to do exporting. We are out there searching

for those opportunities, but that is number one the biggest issue that small businesses face.

Mr. BARBER. Mr. Hamer?

Mr. HAMER. Congressman, I am not sure I have much to add. I mean, we have been, the Arizona Chamber, strong supporters just in the context of trade of the Export-Import Bank. But I believe Lea's comments were right on the mark, and I am sorry to hear about the situation with the company that had to go to Portugal.

Mr. BARBER. Pretty absurd, is it not, that we would go there. Mr. Hutchens, I would like to ask you a question about this. And I am going to say the word that must not be spoken, "public-private partnership." I think it works. [Laughter.]

We like it. And, you know, the port of entry at Douglas, which is on the border of the city. Right across from Douglas, Agua Prieta, has about 240,000, Douglas maybe 40,000. The economic improvement that could be made in Douglas and all of Cochise County and all the way up Arizona are immeasurable if that port were upgraded. It was built in 1932 without any improvements pretty much since that time. We have been working with the mayor and council down there to try to encourage and support public-private partnerships in improving that port of entry.

Can you speak to what barriers we in Congress need to address to help move that forward? I am really practical when it comes to these things. I want to see what we can do as Members of Congress to be pragmatic and then move the agenda, and not just to talk about it. So what things can we and should we be doing about that?

Mr. HUTCHENS. There are a couple of barriers that are the primary things that you have to be concerned with. The number one barrier to these kinds of projects are a set of budget scoring rules that OMB adopted in response to a congressional resolution in 1990 called Budget Resolution 90-02. And the primary focus of Budget Resolution 90-02 was the U.S. Government can borrow money cheaper than the private sector, so if we want to build a capital asset, the Federal Government should pay for it up front and not lease it.

You know, that was a fine budget resolution when two things were happening. One, the country had enough money to build these kinds of projects, and, two, there was a fairly big interest rate differential between what the Federal Government could borrow money at and what the private sector could borrow money at. And over the past 25 years, both of those things have changed dramatically. Obviously the budget priorities of the United States, there are things we have to fund, and a lot of these infrastructure projects, which are long-term capital projects and could benefit from private sector expertise, could be funded through this lease-lease back mechanism. But again, we have to deal with what are called the A-11 scoring rules, which have a six-part test, and it seems like if we do not get hung up on one of them—

I mean, one of the great things about the project I am talking about is the tolling gets us under the primary problem of this, which is it cannot exceed 90 percent of the value. Well, if the tolls are paying for 40 percent of the project, I do not have a 90-percent problem. What I am hearing from OMB is they are concerned

about the unique government nature of the project. And as I say, as I addressed in my testimony, I do not believe this is what those rules were intended to address. So getting some relief from that, getting OMB to look at their rules in a more 21st century realistic way would be very helpful. GSA needs to be encouraged to pursue these projects. They have, in effect, not pursued them because of the worry of whether they were going to get approved by OMB, and so those are the two things that really need to happen.

Mr. BARBER. It sounds like a bureaucratic two-step to me. I am familiar with that in State government, and I am seeing it in abundance in the Federal Government. We just need to cut through all that nonsense and get to the decisions.

I just have one follow-up question, if I may, Mr. Chairman, and that is, have you seen or been able to study effectively what the impact of tolls have on travel, on tourism, on commercial travel? Does it have a negative effect? Does it suppress that desire to come through that port of entry?

Mr. HUTCHENS. What we have seen is that it actually does not have a negative effect. The fact is that people are willing to pay not to have to wait 2½ hours in line. The primary tolling focus will be on the commercial traffic, and believe me, a truck sitting in line costs \$125 an hour to sit there. If they can pay \$25 to go across the border in 15 minutes as opposed to spending 2½ hours in line, for them it is pure economics.

As we design these tolling schemes, the primary emphasis will be on the commercial traffic, then there will be emphasis on faster lanes on the auto, and as little as possible on the pedestrian side because that is where it has the most impact. But we have found that for convenience, people are much willing to pay the convenience actually when you implement these, and southern California is where they have been implemented the most. Traffic actually increases, not decreases.

Mr. BARBER. Thank you, Mr. Chairman. I yield back.

Mr. SALMON. Thanks, Mr. Barber. I think this recurring theme that we all seem kind of excited about, the whole idea of public-private partnerships, it sounds like a big part of the impediment is just maybe we need some legislative language, some clarity from the Congress to the administration to jump start this thing. I think that is kind of what I am hearing.

Mr. Hutchens, if you could maybe guide us to how that would be—

Mr. HUTCHENS. I would be happy to send you some follow-up materials that I have prepared.

Mr. SALMON. That would be great. That would be great. Ms. Sinema.

Ms. SINEMA. Thank you, Mr. Chair. And my question, sir, is directed to Ms. Márquez Peterson and Mr. Hamer. Thanks so much for being here today, both of you. In particular, I wanted to just get your feedback about how Arizona businesses find their own interaction with the trusted trade programs that do exist with imports into the United States from Mexico. And if you can, talk about what some of the concerns or benefits your members feel about cargo pre-clearance programs.

I know that there has been some excitement about cargo pre-clearance programs, but also some concerns around security and cost-effectiveness. So if you have feedback from businesses in southern Arizona and central and northern Arizona, that would be really helpful. Thanks.

Mr. HAMER. Do you want to go first?

Ms. MARQUEZ PETERSON. Okay. Thank you, Congresswoman Sinema. Primarily, a lot of our interaction has been with Arizona businesses who are at a point in their business life cycle, I guess I would call it, where they are prepared to do exporting. They are looking for relationships cross-border, specifically in Mexico, which is where our chamber assists. A key partner has been the U.S. Department of Commerce and commercial services. We refer quite a bit to Eric Nielsen, who I believe is here in the audience, the businesses that are qualified and able and have that infrastructure and that financial stability to look for contacts cross-border. Oftentimes, the biggest challenge we hear from them is certainly looking for the vendors, suppliers, the connections, building those relationships.

Working in Mexico is a much longer sales cycle. It is creating that relationship, and it could be throughout a year or multiple years before an actual transaction occurs. Our Chamber of Commerce is focused particularly on working with Mexican chambers of commerce so that we are business to business, B2B, and we are establishing those relationships and focusing and stressing the economic interdependence of our two States in the case of Sonora and Arizona that kind of outlives a lot of the politics that are happening, whether it is in our State or in our Nation. And that seems to be handled well through the business community.

So I think that is probably the most important resource we have got is with the U.S. Department of Commerce, and we are exploring other opportunities at this time.

Ms. SINEMA. Thanks.

Mr. HAMER. Thank you, Congresswoman, and I want to—I did it in my opening remarks—thank the other members of the Arizona delegation for being here today. It says a lot. Congressman Barber, I know this is your neck of the woods, but you have really worked very hard on these issues, and Congressman Sinema and Congressman Schweikert, for you to travel from the Phoenix area today says a lot. And I would second Lea's comments about the good work of Eric Nielsen and the U.S. Department of Commerce, that we have found them to be very helpful for a number of our members.

In terms of the pre-clearance, there is very, very strong support from our members to do more of that type of activity. Of course, we are all concerned about security, but we believe that there are ways that we can do it so that we would not jeopardize security, but could dramatically increase the efficiency of our commercial interactions.

Ms. SINEMA. All right. Thank you. And, Mr. Chair, not a question, but just a follow up to Mr. Hutchens' last statement. I think it would be really helpful to get information from you and your team about what we as Members of Congress could do to clarify public-private partnerships. While it may not be a great word for you, it is very popular in Arizona, and it has helped us to create and implement some of the most cost-efficient and effective pro-

grams in the country. So we are very proud of public-private partnerships, and we would love to, I think, work together to find opportunities to streamline Federal Government rules and regulations so that we can continue that work in Arizona and help other parts of the country do what we do well. Thanks.

Mr. HUTCHENS. I will make sure I coordinate with the staff so that I can get that material to you.

Ms. SINEMA. Thank you.

Mr. SALMON. I think the appetite is pretty voracious up here for something like that. I recognize Mr. Schweikert.

Mr. SCHWEIKERT. Thank you, Mr. Chairman. Just for the fun of it, Mr. Wilson, what do you think of Mr. Hutchens' sort of—I do not like to call it a “toll,” but sort of participatory costs for those who want to save time whether they have perishables or just-in-time inventory.

Mr. WILSON. I know the concept is a bit controversial, and there are proponents, and there are people who are detractors. I look at the example of Texas where many of the bridges across the Rio Grande are actually owned by the cities, and they generally do use tolls on those bridges as a way to pay for that infrastructure. And that has been a very successful model, so it is actually a model not in the context of public-private partnerships, but in public-public partnerships, has been used on the border between the U.S. and Mexico for a long time with a lot of success. But it is obviously important to make sure that we do not implement tolls in a way that does limit traffic, that does limit the ability of members of family to visit one another.

Mr. SCHWEIKERT. Well, but conceptually it does just the opposite. For truck traffic it creates a, hey, here is the value of a couple of hours of produce sitting in the back of my truck, and pulls that traffic away. Does that provide, you know, other capacity in other spots? I mean, that is at least the underlying economic theory.

Mr. WILSON. That is absolutely how it tends to work.

Mr. SCHWEIKERT. Mr. Hutchens, how do you feel about Mr. Wilson talking about some of the express programs? What is it? It is FAST and some—

Mr. WILSON. C-TPAT.

Mr. SCHWEIKERT [continuing]. C-TPAT are being under-utilized. And what are we doing wrong? Are we not marketing them? Are we not educating? You know, so why are some of our partners on the other side of the border not embracing these more so?

Mr. HUTCHENS. I think that, you know, you are getting a bit out of my area of expertise, but I do think that a lot of those programs were really designed with sea ports of entry in mind. A lot of the containers, a lot of the cargo stuff, I know a lot of the work they have done at Oakridge National Laboratory in terms of being able to see inside vehicles are geared toward containers and not necessarily 18-wheeled trucks going up and down the road.

Mr. SCHWEIKERT. Yes. And that is one of the uniquenesses of what we do. But to that, Mr. Farnsworth, sort of the same question. Why not more adoption?

Mr. FARNSWORTH. Well, I think there is an education issue in some ways, just the idea that this could be a real solution. You know, the truth of the matter is we have to look at all of the pro-

grams that are out there. It has to be an all-of-the-above type solution, whether it is C-TPAT, whether it is fast lanes. I think that is exactly right.

But I come back to there are other things that need to be looked at, too. I mean, just basic forms need to be standardized, and you should not need to have the same process back and forth every time you cross the border. I mean, this should be something that we can figure out together with our Mexican partners in this. So I think an all-of-the-above approach could work pretty well.

Mr. SCHWEIKERT. In that same line, I know there was a discussion last year about even doing an electronic form where you pull it up, you hit the button, you send it in, instead of the, you know, carbonless paper walking up to the staff and having to fill it out and look for your mistakes. From your position, when you look at the discussion of trying to do a mix of structure, is the problem physical structures at the border or is it staffing?

Mr. FARNSWORTH. I think it is both, and I think it varies depending on each border crossing. And I think this is why it is so vitally important to engage the local communities because what works in San Diego and Tijuana may not work in Laredo and Nuevo Laredo. And what might work in Arizona might not work elsewhere because the issues are different. I think if you look across the border, and I have participated in meetings across the border from San Diego literally to Laredo, there are different issues. And sometimes it really is a staff problem.

Mr. SCHWEIKERT. But to that point, let us say, you know, I came to you tomorrow and said, hey, we found magic money. You have unlimited staff. Are you maximizing the use of your ports? Remember there have been the discussions of should we go to 24 hours in certain lanes. Has this been properly modeled?

Mr. FARNSWORTH. I think that the answer would be that if you just found a magic pot of money to be utilized right now, you are going to have existing infrastructure. So the best use of that money would be in terms of personnel and finding ways to increase staffing time, increase agents, and increase the throughput in terms of existing infrastructure.

Mr. SCHWEIKERT. So today staff and personnel would consume more of my capital than structure?

Mr. FARNSWORTH. Well, if you had that pot of money and you just had to spend it in this fiscal year, yes.

Mr. SCHWEIKERT. Mr. Hutchens, in that sort of discussion, as you start to model ways to pay for it, because, you know, as we start to move into the demographic crisis that, look, everyone understands what is happening. Resources are already very, very tough. Is there a way of using that sort of express pass mechanic, tolling mechanic to also provide hours of access as much as new physical facilities?

Mr. HUTCHENS. You know, much like the concern over tolling and is tolling going—

Mr. SCHWEIKERT. I beg of you to pull the mic a little closer.

Mr. HUTCHENS. Sorry. Much like the discussion with tolling, you know, there is a question of if you increase staffing and you say we have got these three lanes, and they are open 24 hours a day. But do people really want to cross the border between 2 o'clock and

4 o'clock a.m. because that is when the time is available. I think that it is a balance between staffing and facilities. If you are going to create these opportunities for trade, you know, you want people coming across the border to go to the shopping centers, as we were talking about, when the shopping centers are open, not in the middle of the night. So I think staffing is very important.

And for CBP, it is one of their concerns as we talk to them about increasing the number of lanes. They are worried about where they are going to get the staff from. So we have got to focus on both.

Mr. SCHWEIKERT. If today our staffs wanted to say where is the best data sets, you know, where is my data set to say here is where I am at capacity. Is it capacity because of my hours of service, because of my physical location? Is it I have enough lanes, but the lanes to it are restrictive on either side of the border? Where do I go to get the best quality research to understand what we should be doing? And I see Mr. Wilson sort of standing up in his chair. [Laughter.]

Mr. WILSON. It is because there is a fundamental problem in that respect, and the fundamental problem there is that we do not have clear data on the wait times that are currently in place at each of our border crossings. There is not a consistent methodology being applied to measure the length that cars and individuals are waiting to cross the border. There is some work that is being done on that to use RFID chips to improve that data set. But it is critical that we improve that data set so that we can make rational decisions about investment at the border.

Mr. SCHWEIKERT. And my understanding is it is ultimately much more complicated than that. In discussions I have had with some of Mr. Hamer's members, it is not only wait times, it is wait times of which hours in the day, what types of products, seasonality of certain products, and how that ends up causing the skewing effects. And then, god forbid, it be on either side of a holiday.

Mr. WILSON. And that is why we need data to be able to analyze each of those variables that you brought into the mix there.

Mr. SCHWEIKERT. All right. Thank you all. Mr. Chairman, just two quick comments, and this is to my buddies at the other end of the table. Sometimes when you see us sort of cringe a little bit when we use the term "public-private partnership," it is not the working with private sectors, vice versa. It is who ultimately carries the risk portion of the transaction, because so many times in the past, you know, as government took the risk and handed sort of the profit-making side to the public, there needs to be an honest risk sharing instead of socializing risk and privatizing the profit side.

And your discussion, this one, you and I have had multiple times. We passed the JOBS Act a couple of years ago that was going to have crowdfunding, and, you know, the Reg As, and all the other things that were going to provide access to capital. And it has disappeared in the bureaucracy, particularly at the SEC, which breaks my heart because that was designed particularly for our types of business. And Congressman Barber has heard me rattle on about this in the small business community and committee because it was designed for our types of businesses here in Arizona. And if we could ever get some rational rule sets out of the SEC, I think

actually we have a great future. So, Mr. Chairman, with that, I yield back.

Mr. SALMON. Thank you. All the questions have concluded, and this has been an outstanding panel. I cannot tell you how much I appreciate you taking the time. Thank you for braving the weather, those of you that came in, and good luck getting back tonight. [Laughter.]

A few of us are on the red eye tonight, and we are kind of biting our nails to see how that goes. But I want to thank you.

More than anything, I wanted this hearing to symbolize something far greater, and that is that Arizona, in particular, is extremely interested in improving our relationship with Mexico; that in the past we have had what I would like to call water under the bridge. It is a new dawn, and you have got a team of people up here, both sides of the aisle, that want to do everything that we can to try to improve those relationships not just with trade, but in every aspect of that bilateral relationship. We would like to explore the opportunity, I think, for some economic trade zones and what other opportunities can put us in the most positive light as we possibly can.

I think Mr. Farnsworth was talking about some of the changing demographics of global trade. With China losing some of its manufacturing swagger, Mexico is going to be up at the forefront. We would like to be partnering shoulder to shoulder. And on the energy forefront, those reforms portend to provide economic opportunities not just in the energy sector, but across the table. And we would like to be there to work with them to get that done.

So that having been said, thank you so much. And this subcommittee hearing is adjourned.

[Whereupon, at 12:11 p.m., the subcommittee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

**SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128**

**Subcommittee on the Western Hemisphere
Matt Salmon (R-AZ), Chairman**

December 5, 2013

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an open FIELD hearing of the Subcommittee on the Western Hemisphere, to be held at the Tucson City Council (City Hall, 255 West Alameda Street, Tucson, Arizona, 85701) and available live on the Committee website at <http://www.ForeignAffairs.house.gov>.

DATE: Monday, December 9, 2013

TIME: 10:00 a.m.

SUBJECT: Improving Security and Facilitating Commerce with Mexico at America's Southern Border

WITNESSES:

Panel I
The Honorable Alan Bersin
Assistant Secretary
Office of International Affairs and Chief Diplomatic Officer
U.S. Department of Homeland Security

Panel II
Mr. Eric Farnsworth
Vice President
Council of the Americas and Americas Society

Mr. Glenn Hamer
President and Chief Executive Officer
Arizona Chamber of Commerce and Industry

Ms. Lea Márquez Peterson
President and Chief Executive Officer
Tucson Hispanic Chamber of Commerce

Mr. Timothy C. Hutchens
Executive Vice President and Head
Federal Lessor Advisory Group
CBRE, Inc.

Mr. Christopher Wilson
Associate
Mexico Institute
Woodrow Wilson International Center for Scholars

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON the Western Hemisphere HEARINGDay Monday Date 12/09/2013 Room Tucson City HallStarting Time 10:18 a.m. Ending Time 12:11 p.m.

Recesses _____ (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Chairman Matt Salmon

Check all of the following that apply:

Open Session ☒Executive (closed) Session ☐Televised ☒Electronically Recorded (taped) ☒Stenographic Record ☒

TITLE OF HEARING:

"Improving Security and Facilitating Commerce with Mexico at America's Southern Border"

SUBCOMMITTEE MEMBERS PRESENT:

Chairman Matt Salmon and Ranking Member Albio Sires.

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

Rep. David Schweikert, Rep. Ron Barber*, and Rep. Kyrsten Sinema*.*HEARING WITNESSES: Same as meeting notice attached? Yes ☒ No ☐

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

Chairman Salmon - Letter from Fresh Produce Association of the Americas to the Honorable Matt Salmon.

TIME SCHEDULED TO RECONVENE _____

or
TIME ADJOURNED 12:11 p.m.


Subcommittee Staff Director

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE MATT SALMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA, AND CHAIRMAN, SUBCOMMITTEE ON THE WESTERN HEMISPHERE



October 9, 2013

The Honorable Matt Salmon
US House of Representatives
2349 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Salmon,

In the variety of bills that seek to address immigration reform and border security, there is a historic opportunity to improve the state of security and business efficiency at Arizona ports of entry.

Shamefully, too little has been done to date to address the shortfall in staffing at Arizona ports of entry, especially in Nogales. Overall staffing continues to flatline or even decline in the face of attrition, not to mention officers being pulled away from the border for non-essential tasks.

At this time, the House of Representatives must develop or endorse legislation to specifically address the shortcoming in Customs staffing, and provide a much-needed economic boost to companies doing business at the border.

The inclusion of 3,500 Customs officers in the Gang of 8 bill serves as a good example that would greatly enhance security at the ports of entry, while simultaneously improving the flow of commercial goods, providing a much-needed boost to the nation's economy.

In fact, a recent report from the University of Southern California (CREATE Report) showed that every Customs officer added to a land port of entry would increase the nation's Gross Domestic Product by \$2 million. Thus, adding 3,500 officers could increase the GDP by \$7 billion.

The same report shows that every additional Customs officer enhances private sector efficiencies by \$640,000. This means the 3,500 officers would enhance business efficiencies by \$2.24 billion.

According to the US Department of Transportation, our ports of entry along the border with Mexico processed 5.1 million trucks and 8,957 trains, northbound, in 2012. The US Department of Commerce reports that bilateral trade with Mexico reached \$492 billion in 2012.

Counting two-way trade, Arizona ports of entry processed about 754,000 trucks in 2012.

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Unfortunately, the Mariposa Port of Entry in Nogales, Ariz., already has the worst wait times for commercial crossings among all Southwest ports of entry surveyed by the aforementioned CREATE report (see attached table). With the expansion of the port, we estimate that Nogales will need 250-500 full time officers in order to effectively and efficiently process goods and people.

Now, as the House of Representatives considers a variety of immigration-related legislation, we urge you to work with Congress to promote legislation that brings a balanced approach to staffing of border personnel.

Securing the border means allocating resources effectively between the ports, and within the ports. Congress must approach the border holistically.

The Fresh Produce Association of the Americas believes now may be the best opportunity to truly address security concerns at the nation's land ports of entry.

At this time the state of Arizona needs all of its Congressmen to join together in a bi-partisan effort to ensure proper staffing. Your leadership on this issue is more important now than ever.

Best regards,



Lance Jungmeyer
President
Fresh Produce Association of the Americas

cc: The Honorable Janice K. Brewer, Governor
The Honorable John McCain, US Senate
The Honorable Jeff Flake, US Senate
The Honorable Ron Barber, US House of Representatives
The Honorable Ed Pastor, US House of Representatives
The Honorable Raul Grijalva, US House of Representatives
The Honorable Matt Salmon, US House of Representatives
The Honorable Kyrsten Sinema, US House of Representatives
The Honorable Trent Franks, US House of Representatives
The Honorable David Schweikert, US House of Representatives
The Honorable Ann Kirkpatrick, US House of Representatives

TABLE 2-8. WAIT TIME AND COMMERCIAL VEHICLE TRIPS AT LAND BORDER CROSSINGS

	Time Period	FY 2012									
	Lane Type	CV (Regular)									
	+1 Optional Staffing	Average wait time per vehicle in FY 2012 (minutes)	Total Trips in FY 2012	Change in Wait Time During 8 Most Congested Hours	Average number of lanes open for 8 most congested hours in a day	Average wait time per vehicles in 8 most congested hours in a day	Std. Dev. of hourly WT values for 8 most congested hours	Std. Dev. of hourly WT values for FY 2012	Total number of WT observations for 8 congested hours in FY 2012	Total number of WT observations in FY 2012	
Port	Crossing										
Calexico	Calexico/East	25.3	320,482	-70%	2.6	27.5	18.18	17.62	4168	4278	
	Ysleta	10.1	360,470	-73%	3.5	11.9	10.46	9.47	2482	4646	
El Paso	Bridge of the Americas	14.6	290,220	-58%	4.1	14.9	14.72	14.25	2397	3423	
	Columbia Solidarity	7.4	215,701	-95%	2.9	7.5	6.78	6.27	1539	2653	
Laredo	World Trade Bridge	23.8	1,356,418	-69%	6.9	24.8	20.49	19.63	2701	5108	
	Mariposa	29.4	644,925	-55%	2.9	37.5	33.90	31.48	2769	3797	
Nogales	Lewiston Bridge	2.3	309,365	-71%	2.6	5.4	9.66	6.11	3140	8504	
Buffalo-Niagara Falls	Peace Bridge	5.3	625,651	-47%	4.7	7.1	17.82	11.31	4949	8754	
Otay Mesa	Otay Mesa	30.4	298,730	-38%	8.0	32.0	21.21	19.64	2844	4637	
Blaine	Pacific Highway	11.0	343,396	-83%	2.3	16.0	13.14	10.34	2934	8687	
	Windsor Tunnel	3.5	39,056	-100%	1.0	4.2	3.51	3.47	2738	8400	
Detroit	Ambassador Bridge	4.6	1,425,757	-61%	7.2	8.9	4.61	4.58	7928	8427	