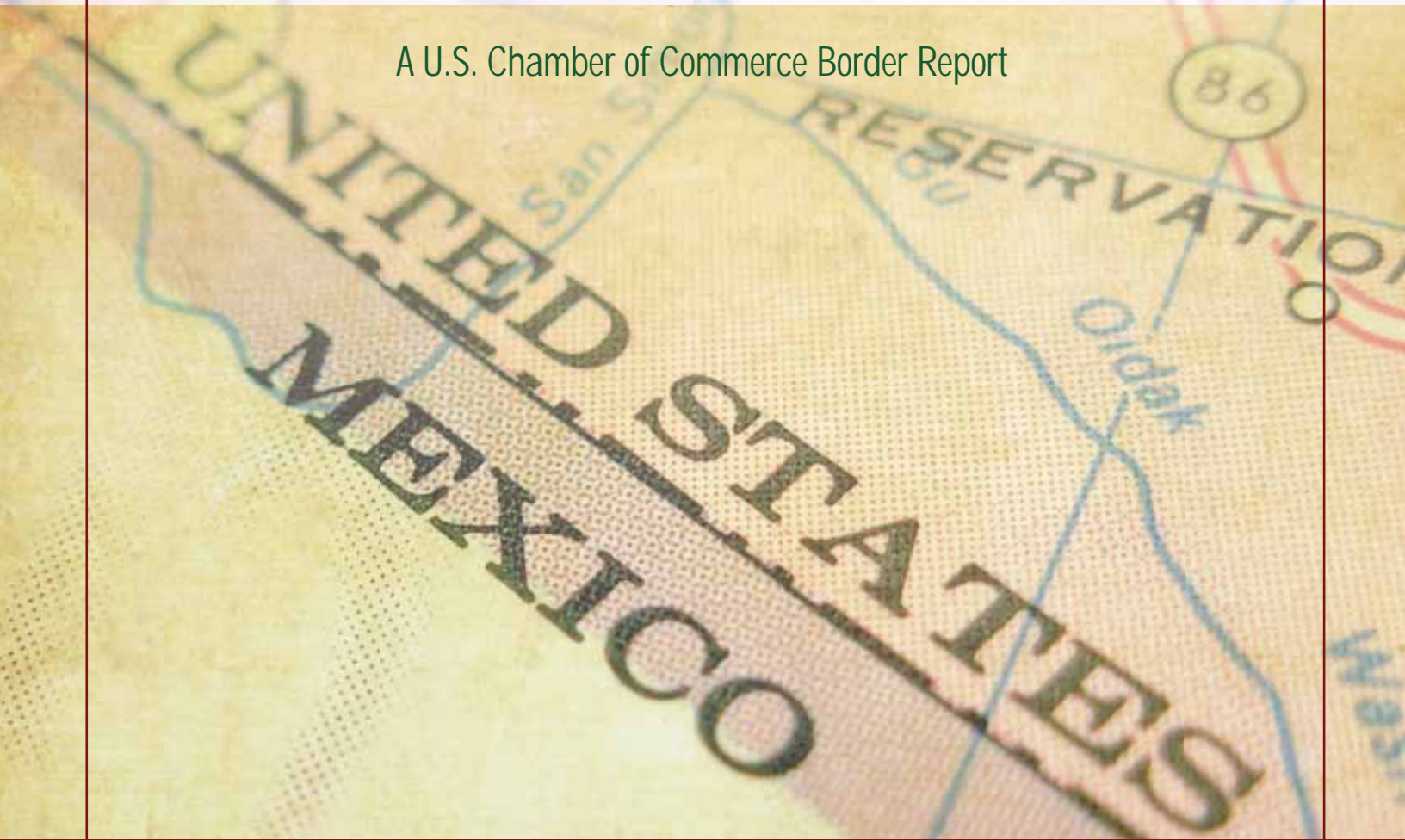




AMERICAN CHAMBER
MEXICO

STEPS TO A 21ST CENTURY U.S.-MEXICO BORDER

A U.S. Chamber of Commerce Border Report



“A key component of our global competitiveness is creating a border for the Twenty-First Century. ... We must develop it and manage it in a holistic fashion and in ways that facilitate the secure, efficient, and rapid flow of goods and people and reduce the costs of doing business between our two countries.”

Joint Statement from
President Barack Obama and President Felipe Calderón
May 19, 2010

COMPELLING FACTS ABOUT THE U.S.-MEXICO ECONOMIC PARTNERSHIP

- U.S. exports reach 233 destinations worldwide, but NAFTA partners Mexico and Canada account for nearly one-third of the total.
- Mexico and the United States trade more than \$1 billion worth of goods each day (\$397 billion in 2010).
- Mexico spent \$163 billion on U.S. goods in 2010, including \$14 billion on agricultural products.
- NAFTA-related trade with Mexico has added 1.7 million jobs to the U.S. economy.
- Twenty-six U.S. states had exports to Mexico in excess of \$1 billion in 2010.
- Twenty-two states count Mexico as the No. 1 or No. 2 export market; Mexico is a top-five market for 14 more.
- The United States provides up to 50% of all inputs for Mexico's maquiladora manufacturing and assembly firms, which translates to more than \$41 billion in annual sales.
- Mexico is a key source of healthy, counterseasonal fruits and vegetables, including tomatoes, melons, and peppers for supermarkets and restaurants nationwide.
- Nearly 50,000 small and medium-size U.S. businesses export to Mexico, collectively selling \$41 billion in goods to Mexico.
- For U.S. farmers and ranchers, Mexico is the top export destination for dozens of key products, including beef, rice, soybean meal, sugars and sweeteners, and apples.

Sources: U.S. Department of Commerce, U.S. Food and Produce Association



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THE U.S.-MEXICO LEADERSHIP INITIATIVE VISION 2020

In 2010, the U.S. Chamber of Commerce brought together a group of leading companies and business organizations to form the U.S.-Mexico Leadership Initiative for the purpose of highlighting to policy leaders and the general public the overwhelming strategic importance to both countries of the U.S.-Mexico relationship. The goals of the Initiative were articulated in a five-point plan entitled Vision 2020:

1. **Advance a Partnership for Competitiveness**—Our bilateral economic framework must build on the foundation of NAFTA to advance 21st century standards for our increasingly integrated markets.
2. **Build a Partnership of Mutual Respect**—A robust institutional framework for cooperation, with regular government-to-government interaction, coordination, and cooperation and closer bilateral working ties at all levels of government, is imperative for one of the most complex bilateral relationships in the world.
3. **Create a World-Class Border**—The Initiative is promoting the use of proven risk-management techniques, investments in infrastructure, and a renewed focus on trade and travel facilitation that can advance both countries' security and economic interests.
4. **Collaborate on Energy and the Environment**—Our economic competitiveness depends on secure and sustainable sources of energy. The Initiative is working to leverage the advantages inherent in each country to boost our mutual competitiveness through optimal and sustainable use of resources.
5. **Raise Living Standards by Enhancing Competitiveness**—The Initiative is promoting common approaches to workforce issues to build on the competitive advantages inherent to workers in each market and raise living standards for all our workers.

The recommendations contained in this report represent a critical down payment on the creation of the world-class U.S.-Mexico border sought by the members of the U.S.-Mexico Leadership Initiative.



LETTER FROM THOMAS J. DONOHUE

Borders connect us to our closest neighbors. How we manage those borders says something about who we are as a nation. Today, on the U.S. border with Mexico, we have work to do.

We must work together to develop the U.S. relationship with Mexico to its full potential. Together with Canada, Mexico is our closest neighbor and economic partner. We can and should be—must be—strategic allies as well.

Key U.S. industries share a symbiotic role with counterpart Mexican industries. Our supply chains criss-cross the border throughout the manufacturing process. This makes both our economies more resilient and more competitive in global markets. President Obama has championed a National Export Initiative (NEI) with the goal of doubling U.S. exports over the next five years. We wholeheartedly endorse and support that goal. With Mexico purchasing 13% of all U.S. exports last year, it is clear that an efficient shared border is critical to reaching the president's goal.

This report addresses issues of security, trade facilitation, infrastructure, immigration, and travel, issues that define the U.S.-Mexico border and determine its efficiency. The recommendations herein are derived directly from Chamber members—the producers and employers who know the issues facing our border better than anyone else. They know that if these issues are addressed our border can be a source of jobs and prosperity for Americans and for our neighbors in Mexico.

The U.S. Chamber of Commerce remains committed to working with the governments of Mexico and the United States to make our vision for a world-class border a reality once and for all.

Sincerely,

Thomas J. Donohue
President and CEO
U.S. Chamber of Commerce





LETTER FROM JOSÉ ZOZAYA

Mexico and the United States share a nearly 2,000-mile land border; it should be the world's model border. This report provides recommendations to both the U.S. and Mexican governments that will help make that vision a reality.

Mexico buys and sells more with the United States than with any other country in the world. Our economies are remarkably intertwined. U.S. inputs account for 64% of the content of every Mexican product sold in the United States. Truly, Mexico's success translates into success for the United States and vice versa.

Likewise, we share common challenges, and the border is where those issues most often present themselves. The illegal drug trade is inherently a bilateral concern that must be dealt with in collaboration. Illegal immigration is also a shared challenge. But let us not fail to recognize that we have an opportunity to make both our countries more competitive in the world's markets if we facilitate the movement of people back and forth across the border for legitimate economic reasons.

It is our hope that this joint border report will contribute to the ability of our governments, working with the private sector and other stakeholders, to overcome these challenges and make the most of our shared opportunities. We look forward to working with all parties in both countries who share this vision and these goals.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Zozaya', with a stylized flourish at the end.

José Zozaya
President
American Chamber of Commerce of Mexico

INTRODUCTION

The United States and Mexico share a border of nearly 2,000 miles, a cultural heritage, and a desire to grow both our economies through cooperation and hard work. The two nations also share an obligation to address a series of complex issues. Of course, it is immigration and, more recently, drug-related violence that so often dominate any conversation related to the U.S.-Mexico border. However, economic considerations, such as trade facilitation, travel and infrastructure, are equally important.

Since the passage of the North American Free Trade Agreement (NAFTA), Mexico has become the third-largest U.S. trading partner behind Canada and China. However, it is the second-largest export market for U.S. businesses, and some 22 states depend on Mexico as their No. 1 or No. 2 export market. The trade relationship between our two nations is vast, with \$397 billion worth of products being traded last year alone. Eighty percent of it is carried across the border by truck.

This means that more than \$1 billion in cross-border commerce is taking place every day—\$45 million an hour—and virtually all of it tariff free under NAFTA. Mexico purchased \$163 billion in U.S. goods in 2010 alone. Mexico is also the United States' third-largest foreign provider of petroleum and the largest foreign supplier of fresh fruits and vegetables. The trading relationship is strong, and each country has a fundamental stake in the success of the other.

Trade between the United States and Mexico creates and supports jobs for millions of Americans and Mexicans. In 2010, 13% of all U.S. exports were destined to Mexican markets. Overall, nearly 31 million American jobs are supported by trade. That translates into more than one in every five U.S.

jobs linked to the import and export of goods and services. Furthermore, exports generated nearly half of U.S. economic growth in 2010, adding well over a percentage point to GDP growth.

The U.S. manufacturing industry depends on NAFTA, sending more than half of its exports to either Canada or Mexico. Since NAFTA began, U.S. manufacturers have boosted their output by more than 50%. Contrary to popular belief, 97% of all exporters are small and medium-size businesses. Considering that these same companies create the vast majority of job growth, it is imperative to improve their ability to compete in global markets.

Despite the significance of the U.S.-Mexico relationship, delays and other inefficiencies at the border erode much of the competitive advantage that was accrued from NAFTA. According to SANDAG, congestion and delays at border crossings between San Diego County and Baja California cost the U.S. and Mexican economies an estimated \$7.2 billion in foregone gross output and more than 62,000 jobs in 2007.

In President Obama's 2010 State of the Union address, he expressed a goal to double exports within the next five years. Reaching this goal is going to require action from both the private and public sectors. NAFTA has already removed many of the statutory and regulatory impediments to trade across the U.S.-Mexico border. This means that the border represents a better opportunity for trade between the United States and Mexico, translating to job growth in both countries.

This report, developed by the business communities of both the United States and Mexico, recommends



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ways to enhance growth and security simultaneously. Recognizing that both the public and private sectors must work together to meet these challenges, the U.S. Chamber of Commerce and the American Chamber of Commerce of Mexico are providing these recommendations to improve security, trade facilitation, infrastructure, immigration, and travel.

Now is the time to take the steps necessary to create a 21st century border.

Border-Users Survey

To measure the common experiences and practical policy priorities of the trade community using the border on a daily basis, the U.S. Chamber and the American Chamber of Commerce in Mexico surveyed a wide array of border users from both Mexico and the United States. Our questions were framed to identify issue areas requiring policy attention for the U.S.-Mexico trade community. We asked these trade practitioners to translate their typical border crossing experiences, from wait times to paperwork, into policy priorities. We aggregated the results to show broad industry trends.

Impact on Business

Border delays have a dramatic impact on the way businesses operate. They build these costs into their companies—and pass them on to consumers—but those resources could be used more effectively. Further, the fact that border wait times are so long hinders investment in the border region as follows:

- U.S. and Mexican companies face higher transportation costs as a result of lengthy border wait times.
- Companies spend a significant amount on security to ensure that products are not intercepted by criminals.
- U.S. and Mexican firms are forced to hold larger inventories to accommodate for uncertainty, increasing costs that could be invested for business development and hiring.
- Consumers pay higher prices for a reduced selection of goods.
- Time-sensitive products, such as fresh fruits and vegetables and other agricultural commodities, are put at risk due to the perishable nature of the product's life span.

KEY FINDINGS FOR THE CREATION OF A 21ST CENTURY BORDER

There are a number of issues that need to be resolved to improve border relations between the United States and Mexico. If we are serious about creating a 21st century border, both governments and their private sector partners need to address the following key issues:

- **Investment in Border Security and the Merida Initiative:** Increase and streamline funding for the Merida Initiative and ensure that the United States and Mexico have the means to promote justice and the rule of law at the border.
- **Engagement of the Private Sector to Improve Supply Chain Security and Trade Facilitation:** Enhancing security and facilitating trade can be mutually conducive. Linking the two through risk management techniques is the only true way to maximize the benefits of both trade and a secure border.
- **Investment in Infrastructure:** Today's border infrastructure was developed for the traffic flows of a bygone era. Modernizing infrastructure is essential to both security and trade.
- **Pursuit of Meaningful Immigration Reform:** Both countries need to appropriately address illegal immigration and the legitimate business demand for labor.

In a post-NAFTA era, it is even more imperative to seize upon these opportunities to create a strong economic relationship for the mutual advantage of both our countries.





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PART I—A FRAMEWORK FOR BORDER SECURITY

Making Security and Trade Mutually Conducive Through Risk Management

No factor is more important to investment, economic growth, and job creation than security and the rule of law. Business is risk averse with uncertainty the enemy of investment. Companies will not invest and cannot grow where a strong rule of law is absent.

RULE OF LAW: The Coalition for the Rule of Law in Global Markets (www.ruleoflawcoalition.org) defines rule of law by the presence of the following five factors:

- Transparency—laws and regulations applied to business must be readily accessible and easily understood.
- Predictability—laws and regulations must be applied in a logical and consistent manner.
- Stability—the state’s rationale for the regulation of business must be cohesive over time, establishing an institutional consistency across administrations, and free from arbitrary or retrospective amendment.
- Enforceability/Accountability—investors must be confident that the law will be upheld and applied equally to government as well as private actors.
- Due Process—when disputes inevitably arise, they must be resolved in a fair, transparent, and predetermined process.


Where these factors are present, investment flows, economies grow, and jobs are created. Where they are absent, corruption thrives, economies stagnate, and investment dollars flee.

Over the last several years, major steps have been taken to improve security on the U.S.-Mexico border, but more needs to be done. In 2008, more than 5,600 lives were lost in Mexico related to drug cartel violence.ⁱ These circumstances cause both physical and economic harm to the people of Mexico and the United States, especially those living along our shared border. For companies, it raises concerns for personnel, supply chains, and physical assets. U.S. and Mexican companies have taken appropriate steps to respond to these concerns while showing a strong commitment to the bilateral commercial partnership.

The Merida Initiative is a U.S.-sponsored \$1.6 billion multiyear program to partner with Mexico and other countries to address criminal organizations that subvert public safety, erode the rule of law, and threaten our collective security. The imminence of this threat cannot be underestimated. Cooperation on trade and security is critical to the success of both our countries. The Chamber supports the ongoing Merida Initiative and hopes to see funding continue and increase.

As the U.S. and Mexican governments have cracked down on illegal drug activity, drug cartels have resorted to extreme criminal behavior in the short term. But both governments must maintain their resolve and continue their missions. Ultimately, Merida’s success will be measured by the extent to which drug-related violence is once more an issue for local law enforcement, rather than a matter of national security for both our countries as it is today. Anything short of that goal perpetuates the risk to our mutual peace and prosperity.

The business community fully supports the zero tolerance policy that is occurring in Mexico as it



pertains to prosecuting criminal activity. It is the only way to ensure that Mexico will move forward to a brighter future that does not include this violence.

Security and the Private Sector

The challenge for governments working with the private sector is finding common ground on which to work together to achieve a shared vision. There is nothing more essential to companies than the safety and security of their most valuable assets, their employees. Accordingly, we see significant sums of money being spent to secure employees through the use of private security companies, armored vehicles, and armored shuttle services.

While most of the violence is occurring between gangs and rival cartels, the violence on the streets and along trade corridors is putting U.S. and Mexican citizens at significant risk. As a result, some U.S.

companies with investments in Mexico have curtailed or restricted employee travel to parts of Mexico. This makes it difficult for management and technical experts to oversee manufacturing sites in Mexico, hindering the productivity of their investments. The Merida Initiative and other joint border security measures between the United States and Mexico should address instability along the major trade and travel routes between the two countries.

The private sector is eager to participate in Trusted Shipper Programs, such as Customs Trade Partnership against Terrorism (C-TPAT) and Importer Self-Assessment to improve the security of its global supply chains. This is risk management in action. These programs are costly for the private sector and benefits for participants must be enhanced, but they are a perfect example of how government and private sector motives can align for the betterment of national security.

Con-Way Freight Helps Foil Terrorist Bomb Plot

Private sector companies remain vigilant in the face of border-related security challenges and the threat of terrorism. While this report was being finalized (February 24, 2011), news broke of the FBI arrest of Khalid Ali-M-Aldawsari, a 20-year-old Saudi student studying in Texas. Aldawsari was charged with attempted use of a weapon of mass destruction for allegedly attempting to construct improvised explosives and compiling a list of possible targets, including West Coast reservoirs and dams, nuclear power plants, and the home of former President George W. Bush.

The investigation leading to the arrest began February 1, when workers at Con-Way Freight's Lubbock service center alerted authorities to a suspicious shipment. Based on extensive training, management notified the corporate security team, which elevated the issue and alerted the FBI.

The actions leading up to the arrest of Aldawsari demonstrate the importance of individual initiative and awareness and the critical role that the private sector can play by collaborating proactively with government authorities to ensure the security and safety of the public. Trusted partners like Con-Way are making a difference every day.



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FOUR PILLARS OF THE MERIDA INITIATIVE:

- Disrupt the capacity of organized crime to operate.
- Institutionalize capacity to sustain the rule of law.
- Create a 21st century border structure.
- Build strong and resilient communities.

As the Merida Initiative and other border security measures move forward, the private sector should be viewed as a partner. The Security and Prosperity Partnership (SPP) showed that the private sector can provide insight and help promote the goals of security and trade. The SPP work plan established a trilateral framework that was flexible enough to enable bilateral action on border measures and direct input from the private sectors of Canada, Mexico, and the United States through the North American Competitiveness Council (NACC). In 2007, NACC offered a detailed report and recommendations to governments in three broad categories: border management, regulatory cooperation, and energy security.

With the end of these initiatives, there is a need to reestablish a framework for government-to-government interaction. It is critical that both governments provide the private sector and other stakeholders ample opportunities to engage public officials on border issues as they, too, can help provide many of the necessary security solutions. The governments, working with the private sector, can stymie drug trafficking and frustrate other criminal activities on the border.

Progress Noted

We commend the administration for its commitment to the Southwest Border Initiative and its renewed commitment to the Merida Initiative.

Further, we commend the progress made by U.S. Customs and Border Protection (CBP) on southbound

inspections. Ramping up this effort helps cut off the movement of money, guns, and ammunition moving into Mexican cities and towns. The Merida initiative has been successful in interdicting fugitives, cash, and counterfeit goods, many of which fund the very cartels we are fighting against.

However, as both the United States and Mexico increase their inspections of southbound traffic, dialogue must continue between the two countries to coordinate southbound inspection activities so that the same cars, trucks, and pedestrians are not subject to unnecessarily redundant inspections by multiple government agencies at the border. Overlapping inspections waste valuable resources and create unnecessary delays without increasing the security of pedestrians, passenger vehicles, and trucks going into Mexico.

RECOMMENDATIONS

- Increase the investment in the Merida Initiative and promote a sustainable border policy that improves the rule of law.
- Engage the private sector in achieving the goals of the Merida Initiative.
- Reestablish a framework for government-to-government and government-to-business interaction that will advance a vision for a world-class border in 2020.
- Provide needed staffing increases and facility upgrades to better accommodate southbound inspections.
- Fund efforts for nonintrusive inspections, training, and infrastructure to minimize damage to products that are inspected by U.S. and Mexican authorities.
- Ensure that security efforts are being implemented equally along all major ports of entry.

PART II—SUPPLY CHAIN SECURITY AND TRADE FACILITATION

Facilitating Trade Through Enhanced Supply Chain Measures

Businesses rely on just-in-time inventory management and depend on predictability and speed in their supply chains. Consequently, supply chains are critical to businesses' underlying value, growth potential, and economic competitiveness. In many cases, before a product is completed, it may have crossed the border numerous times, necessitating a swift crossing process. An efficient supply chain is a lifeline for economic cooperation and mutual prosperity, and it contributes to our two countries' competitive advantage.

Unfortunately, supply chains often come to a halt due to border delays, security concerns, and infrastructure constraints. These issues create an environment of uncertainty in the business community, and uncertainty is the enemy of investment, job creation, economic prosperity, and supply chain security. We need to address these issues together in order to grow our trade relationship. Solving these issues will take collaboration, and the solutions are both short and long term.

The business community is finding that sometimes likely solutions to border congestion are not being tried or, once tried, implemented. Nevertheless, we are encouraged by a recent willingness by leadership at CBP to engage in pilots and test new innovative ways to approach the border. Industry recognizes the challenges that face regulators in reforming policy; however, more needs to be done.

Imports Equal Exports

Much discussion takes place today about the ability of U.S. companies to increase their exports. President Obama made this a national goal in the United

BORDER SURVEY: When asked about the effect of a lengthy border closure on their businesses, the vast majority of respondents said that there would be a severe impact on their supply chains. One respondent said that its inventory would be “exhausted in 30 days.” Another said that “95% of the organization’s finished product is imported from the United States.”

States, calling for doubling the nation’s exports over the next five years. The Chamber supports this goal, and through its advocacy for open markets is working to ensure that it is achieved. However, policymakers should recognize, too, that exports sometimes rely on imports.

For example, year after year, the Boeing Corporation is the largest U.S. exporter by value. The company designs, manufactures, and sells commercial jetliners, satellites, military aircraft, and other products in a worldwide marketplace. The completion of its newest commercial aircraft, the 787 Dreamliner, is truly a marvel to behold and a point of pride for the company and the entire country.

While the Dreamliner is constructed in the United States, many of its parts come from all over the world. Consequently, while Boeing is the country’s leading exporter, it is also a top importer. Companies invest billions annually to ensure the security, safety, and speed of the products coming into the United States. The faster those products are brought to their manufacturing facilities, the faster Boeing exports its planes. In a just-in-time delivery environment, Boeing relies on an efficient supply chain from countries around the globe, including Mexico. In this high-value, mass-scale production environment, inventory is not an option. Trade facilitation is the only solution.





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A PARADIGM SHIFT: Commissioner Alan Bersin has challenged U.S. Customs and Border Protection and the private sector to discard the notion of “finding a balance” between trade and security. On December 7, 2010, speaking at the U.S. Chamber of Commerce, Bersin urged the audience to view security and trade as mutually conducive objectives. The Chamber agrees with this position, and this report supports that shared goal.

What to Do

In many instances, the solution to border congestion can be found in commonsense solutions. One solution, for example, is expanding the data available to businesses engaged in border trade so that truck drivers can determine which crossing to approach. This can only be done if all government agencies recognize and commit to a basic measure of border wait times and begin tracking them with benchmarks and clearly defined goals.

Defining goals will enable government agencies to review staffing levels and processes to determine if internal operations are working properly and where delays may be occurring in the crossing process. Seasonal variations must be considered. For instance, in Nogales, Arizona, imports can total 1,600 trucks per day during the peak winter months of the produce season versus less than 500 trucks per day during the summer. The 2014 expansion of the port there has the potential to double capacity.

There are significant security benefits to participating in the C-TPAT program, and we, therefore, support expansion of C-TPAT for all participants in the supply chain. The SAFE Port Act of 2006 (Public Law 109-447, enacted October 13, 2006) anticipated a C-TPAT program open to all that opted and were able to meet the criteria. The current criteria, however, eliminate all Third Party Logistics Providers (3PLs) that do not operate their own equipment.

3PLs in all modes play an essential role in selecting and managing the carriers that move freight across our land and sea borders. They provide information to customs authorities about the contents of the shipment and arrange for the loading of the truck and selection of the carrier. In many instances, they are physically present when the cargo is loaded. Consequently, 3PLs are often involved with the supply chain from the product’s point of origin or consolidation point to destination.

C-TPAT should, therefore, be inclusive of 3PLs. By excluding them, we are failing to capture the security benefits of legitimate businesses willing to invest their own capital to secure our borders. Additionally, the European Union Authorized Economic Operator (AEO) program currently certifies non-asset-based 3PLs. As we move toward mutual recognition, which is a positive goal, this inconsistency will have to be rectified.

Other solutions are more long term and require coordination between the private sector and the government. One of those solutions includes expanding and attracting more participants into C-TPAT. CBP and the private sector have worked together to build a strong partnership to promote a secure supply chain. The C-TPAT program is recognized by all parties as working to achieve security around the world. CBP should explore opportunities to expand the program and attract greater participation.

These opportunities include the following:

- Develop commercial benefits for all participants to justify the cost of membership.
- Develop a trusted shipper program for small and medium-size businesses.
- Establish pilot programs for less-than-truck load carriers, non-asset third-party logistics providers, and low-risk food importers subject to regulation outside of the regulatory authority of CBP.

- Help the Mexican government develop a trusted shipper program, along the lines of C-TPAT and Partners in Protection (PIP).
- Provide Tier III status for all participants in the C-TPAT program, not just importers.
- Develop a cooperative approach to law-abiding highway carriers entangled in a supply chain security breach.
- Evaluate the Free and Secure Trade (FAST) lanes to ensure that congestion does not block entrances to the designated lanes prior to the port of entry.
- Allow C-TPAT carriers to move shipments inland to their bonded warehouses for processing before the entries are submitted to CBP. The shipments would remain in complete control of the carrier that would sort out the small volume that requires CBP inspections (nonsecurity) and move them back to the border if necessary.

Both the private sector and the governments acknowledge that C-TPAT is good for security. For that reason, we should be providing greater incentives for participation in the program. CBP should leverage the private sector's investments in security and motivate the companies to take C-TPAT to the next level. Continued commitment from appropriators is also essential to ensuring that this is accomplished.

Information Sharing and Cooperation Between Government Agencies

The issues that surface at the border are not limited to those between the private sector and customs authorities. Many additional government agencies have jurisdiction and wield authority at ports of entry. While it is important for CBP and the private sector to work together, it is equally important for all other government agencies to examine closely the impact that their operations are having on trade and the U.S.

BORDER SURVEY: Sixty percent of the respondents said that “enhanced benefits for trusted shippers and travelers” is their highest priority for business associations to communicate to U.S. and Mexican border authorities. This was followed closely by “staffing/scheduling that supports efficient border crossings.”

economy and to consider how a more cooperative approach with the trade community could facilitate the free flow of commerce.

Currently, for instance, some nine U.S. agencies have “hold authority” to stop goods moving through the supply chain. Not all of those agencies, though, have personnel at the location where the hold is executed. Therefore, a product will be held until a representative from a particular agency has time to review and release the package. This slows the process for industry and places the product at a greater risk for tampering and/or theft.

Intergovernmental processes should be synchronized. For example, if a U.S. government agency has hold authority, it should select one of two ways to execute that authority: The agency should have staff with the authority to resolve the hold at the port of entry during CBP processing times, or the agency should delegate the authority to CBP to resolve the hold. The private sector is constantly engaged in improving their supply chain capacity, making better intergovernmental coordination essential.

As an example, the U.S. Food and Drug Administration (FDA) and CBP have some interconnectivity in their computer systems. When FDA has not reviewed a shipment in its Oasis system to determine if it wants to hold the shipment or “may proceed,” the shipment is not released in the CBP system pending FDA review. The review is often delayed due to hours of operation for FDA personnel



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Issue Alert: Cross-Border Trucking

In 2009, in retaliation for U.S. failure to implement its NAFTA commitment on cross-border trucking services, Mexico withdrew NAFTA tariff preferences from a range of products, affecting \$2.4 billion in U.S. exports.

The result of these added tariffs has been a severe loss in market share for many U.S. producers of manufacturing and agricultural products, with a commensurate effect on U.S. jobs.

In March 2011, Presidents Obama and Calderón announced a path forward to end the trucking dispute. We call on both governments to quickly finalize agreement on a resolution that will end the tariffs and restore our mutual NAFTA advantage.

or work flow management of electronic information waiting for release. Even though a majority of these shipments will be approved, trucks often must wait in secondary inspection areas at ports of entry, using valuable dock space that could be devoted to inspections by agencies of jurisdiction, resulting in congestion at ports of entry and delays in crossing times. Coordination of hours of operation and better integration of IT systems could help eliminate commercial losses for importers.

The U.S. Department of Agriculture (USDA) also plays a critical policymaking and inspection

role regarding phytosanitary issues and quality for certain fresh produce. The Mexican Department of Agriculture (SAGARPA) and USDA should collaborate to inspect and grade fresh produce destined for the United States. This would better utilize existing resources in both countries, reduce duplication of efforts, and streamline processes at ports of entry.

Another area of concern is the lack of progress related to, and budget cuts affecting, Automated Commercial Environment (ACE). The FY 2011 budget for ACE is \$153 million—a reduction of \$75 million from the FY 2010 budget. This includes some \$40 million to fund the Automated Commercial System (ACS), a 26-year-old program on life support. At its budget peak, ACE was funded at the \$300 million level. Funding has been steadily reduced, slowing the progress of the project. The current budget allocation only prolongs the use of two systems, which is inefficient and costly for both industry and government.

We are encouraged by recent efforts by leadership at CBP to achieve our shared goal, but funding is needed now to signal to the private sector that the

BORDER SURVEY: Half of the respondents said that their businesses were directly affected by U.S. failure to implement the NAFTA commitment to allow cross-border trucking. Concerns about transfer costs and delays were at the forefront. One organization said, “A significant number of our products have been affected by the retaliation measures representing an impact around \$500,000 per year.”

government is serious about this system. Our goal in the next three years should be the retirement of the U.S. Automated Commercial System and the full use of ACE by the entire trade community. We should also strive to ensure the development and implementation of the International Trade Data System (ITDS). Unfortunately, there has been little progress made due to the lack of coordination between government agencies to harmonize data submission into the system. To date, companies are required to enter repetitive data to each government agency involved. Simplifying the entry process for trade decreases costs for businesses and provides governments with more accurate and accessible information.

Providing solutions for small and medium-size businesses is also critical to solving problem areas at our ports. The Chamber is encouraged by the proposal from CBP to develop Centers of Expertise as it begins to explore risk-based, account-based management.

However, the solution must include staff that focuses on small business issues. Too often, small businesses get stuck in bureaucracy, while their products sit on hold for months. In the case of perishable commodities, the product must be destroyed, resulting in losses of \$40,000 or more per truckload. This has a definitive impact on profitability and growth. Many of these cases can ultimately be solved by the simple click of a button by a government employee, but needless delays in processing costs these companies a significant portion of their yearly revenue.

Legislative Update

Funding for major ports of entry should be increased to guarantee adequate U.S. staffing, extend hours of service, and upgrade our technology and infrastructure so that officers can more efficiently monitor the flow of people and commerce. The Putting Our Resources Toward Security Act (PORTS Act, H.R. 1655), introduced in the 111th Congress by Rep. Silvestre Reyes, was a step in the right direction. We encourage members of Congress to advance similar legislation in the 112th Congress.

The PORTS Act would do the following:

- Provide for 5,000 additional CBP officers, allowing for an increase in total officers by approximately 30% over five years.
- Provide for 350 additional support personnel and 1,200 agriculture specialists at CBP, which would help ensure that officers would not be pulled away from inspection duties to perform specialized or administrative work.
- Authorize \$5 billion over five years for the General Services Administration (GSA) to address infrastructure deficiencies at our land ports of entry in tandem with CBP.



RECOMMENDATIONS

- Commit to the full funding and completion of ACE/ITDS as a short-term priority to be completed by a set date.
- Harmonize customs automation with NAFTA partners with ACE/ITDS as the model.
- Establish a pilot program for 24-hour border crossings as a step toward increased commercial access during nonpeak hours.
- Create an after-hours appointment system for C-TPAT members to ensure expedited crossing.
- Enhance the commercial benefits of C-TPAT participation through incentives for supply chain security investments.
- Measure border wait times based on definitive benchmarks and base staffing on demand.
- Concentrate staffing increases at the port of entry.
- Harmonize PIP and C-TPAT and work with Mexico and the private sector to develop a parallel Mexican trusted shipper program.
- Make non-asset-based 3PLs, non-vessel-operating common carriers (NVOCCs), and ocean freight forwarders licensed by the Federal Maritime Commission eligible to voluntarily join the C-TPAT program.
- Develop a pilot with the private sector for secured manufacturing zones with designated routes between the United States and Mexico.
- Expand data-driven decision making by providing drivers and companies with real-time traffic updates to email and mobile devices.
- Reform CBP funding streams to recognize the increased burden of security-driven activities and the strain they place on CBP officer trade functions.
- Decrease CBP staffing reliance on user fees and fully appropriate staffing costs.
- Request transparent, clear staffing models from CBP to determine the needs of all ports of entry for officers, support staff, trade facilitators, and other key port functions.
- Fully implement internationally recognized cross-border trade facilitation frameworks that promote consistency, efficiency, and confidence, including the World Customs Organization Immediate Release Guidelines, the Revised Kyoto Convention on Customs Clearance, and the SAFE Framework of Standards in both the United States and Mexico.

PART III—INVESTMENT IN INFRASTRUCTURE

Assessment of Current Infrastructure and a Look Ahead

To keep pace with transformations in the national and global economies, the U.S. transportation system needs to expand, modernize, and adapt to the changing and growing need for freight movement and passenger mobility. Long-term underinvestment in transportation infrastructure is having an increasingly negative effect on the ability of the United States and its industries to compete in the global economy.

We believe that federal transportation policy, programs, and resources should support U.S. global competitiveness, international trade policies, interstate commerce, interstate passenger travel, emergency preparedness, and national defense, all of which are compelling national interests.

The federal government bears significant responsibility to ensure that efforts advancing the following policy objectives are prioritized and funded:

- Modernization and maintenance
- Safety
- Freight mobility
- Urban mobility
- Rural connectivity
- Energy and the environment

We strongly support the use of private sector investment to meet the demands of our overburdened and crumbling infrastructure. While it should not supplant current federal investments, private investment, where appropriate, will help supplement federal, state, and local dollars. The federal government should encourage project financing and delivery approaches that provide incentives for private investment to expand its role as financing partner and lender of last resort. In addition, Congress should lift

the cap on private activity bonds for highway and transit infrastructure.

Investment in infrastructure is an investment in economic prosperity. Each dollar invested in highway and transit construction generates \$1.80 of gross domestic product in the short term, according to Standard & Poor's DRI. Every dollar that taxpayers invest in public transportation generates about \$6 in economic returns, reports Cambridge Systematics. According to the U.S. Department of Transportation, each \$1 billion in federal highway investment accompanied by a state match supports 34,779 jobs. Conversely, a decaying surface transportation system costs the U.S. economy \$78 billion annually in lost time and fuel; and crashes—approximately one-third of which are attributable to road conditions—drain an additional \$220 billion.

Vision for the Future

We believe in the need to modernize, maintain, and expand America's transportation infrastructure in order to meet national needs, move people and goods more safely and efficiently, and strengthen U.S. economic

BORDER SURVEY: When asked what was the most important infrastructure improvement needed to ease border delays, respondents overwhelmingly selected “increased number of lanes overall,” and “more dedicated lanes for commercial traffic.”

competitiveness. According to San Diego's Regional Planning Agency (SANDAG), the demand at existing ports of entry necessitates the improvement of current infrastructure in order to ensure the “economic and social stability of the border region.”ⁱⁱ Improving infrastructure along the U.S.-Mexico border will not



STEPS TO A 21ST CENTURY U.S.-MEXICO BORDER

only spur real economic benefits and job growth in border communities, but it will also create economic returns for the entire U.S. economy.

Along with upgrading existing infrastructure, investment in new capacity is also needed. Without adequate transportation infrastructure capacity and reliable cost-effective transportation services, the economic growth, productivity, and competitiveness of metropolitan areas, mega regions, and key industries are at risk. For example, the United States must prepare for the expected doubling of domestic freight volume and quadrupling of international freight volume entering U.S. ports over the next 30 years. Transportation bottlenecks at major U.S. ports, gateways, and trade corridors have significant economic, environmental, and energy implications. Clearly, the utilization of existing assets can be improved, but capacity investments are also necessary, particularly at the U.S.-Mexico border.

In 2005, Congress passed a five-year authorization of the nation's highway and transit program, the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which provided more than \$2.8 billion to fund transportation projects of national interest to improve transportation at international borders, ports of entry, and in trade corridors. A Coordinated Border Infrastructure Program provided \$833 million in funding, to be distributed by formula, to expedite safe and efficient vehicle and cargo movement at or across the land border between the United States and Canada and the land border between the United States and Mexico.

In the next Reauthorization, Congress and the administration must build on the successes of these programs in order to continue improving freight movement through our borders.

The United States must also engage the private sector, which is ready and willing to engage as partners in financing, building, and maintaining infrastructure upgrades and expansion along the border.

Current Situation

Rapid population growth along the border puts increased pressure on infrastructure at a time when government, at all levels, is dealing with inadequate revenues to deal with not only the significant backlog of maintenance but also the significant investments necessary to create a 21st century infrastructure. Moreover, growth of commercial traffic continues to overwhelm ports of entry to and from the United States and Mexico. From 1990 to 2010, U.S. exports to Mexico grew from \$28 billion to \$163 billion. Total trade between the United States and Mexico has expanded by more than 600% since 1990.

Trucking and rail are the primary modes of transportation for products moving across the border, and both modes are hindered by inefficient infrastructure. By investing in border infrastructure, goods, services, and people will be able to move more efficiently, therefore decreasing the costs of doing business. Congestion and inefficient infrastructure produce uncertainty, unreliability, and high costs for international shippers.

According to SANDAG, the Otay-Mesa Port of Entry, the largest commercial crossing on the California-Mexico border, is only connected to the highway system through local roads, with volumes reaching more than 55,000 vehicles daily.ⁱⁱⁱ

Furthermore, inadequate capacity at border crossings is costing local economies dearly. According to SANDAG, congestion and delays at border crossings between San Diego County and Baja California cost the U.S. and Mexican economies an estimated \$7.2 billion in foregone gross output and more than 62,000 jobs in 2007. Also, the more than two-hour per truck wait time at border crossings in San Diego County cost the local economy \$539 million in annual revenue from reduced freight activity, translating to more than 2,900 lost jobs and \$155 million in lost labor income in 2007.^{iv}

Staffing and Infrastructure

Increases in officers, agriculture specialists, and support staff must happen in tandem with infrastructure improvements. As an example, the Nogales West (Mariposa) Port of Entry is undergoing a \$200 million reconfiguration project. However, CBP does not have the staff to operate the existing facility properly, much less when it expands by 50% in 2011 and again in 2013. At this facility alone, staffing would need to expand from the 300 CBP officers currently in place to 500.

Good News for Nogales, but Challenges Too

When the Nogales Port of Entry was originally designed, policymakers envisioned that 400 trucks per day would pass through. Today, they are slowly processing more than 1,600 trucks per day, causing a situation where wait times of nearly 10 hours are common.^v For the past 10 years, the town of Nogales has been trying to improve its situation at the border, from both a security and economic perspective. The town rests on the border and is the largest port of entry for fresh produce from Mexico, as well as a gateway for other agricultural commodities and products going both north and south. The border relationship is essential to the economic vitality of the region.

The American Recovery and Reinvestment Act signed into law in 2009 approved a \$200 million project that will nearly triple the crossings capacity and result in a flagship facility that will be the model port for all other land ports of entry. There has been much discussion about shovel ready projects, but this is truly a situation

BORDER SURVEY: Respondents to the survey weigh equally “inadequate infrastructure,” “processing delays,” and “secondary inspections” as significant contributors to costs and delays.

where the town was ready to take action and invest in its future. The same capacity constraints and challenges found at Nogales exist all across the U.S. border with both Mexico and Canada. We need to invest heavily to ensure that we prepare for the trade capacity of 2020 and beyond.

This project will not realize its full potential, however, unless serious staffing shortages of CBP officers and support staff are addressed.

RECOMMENDATIONS

- Invest in physical infrastructure by widening access roads and bridges, enhancing government facilities, and creating designated FAST lanes for partners in trusted shipper programs further away from the border crossing.
- Ensure that any federal transportation legislation includes attention to the needs of border infrastructure to facilitate the safe and efficient movement of goods and people between the two nations.
- Develop a National Freight Plan that incorporates the development of increased capacity and new access routes to border crossings and other international gateways.
- Remove barriers to private sector investment in infrastructure. Ensure that any infrastructure program meant to improve the U.S.-Mexico border includes language to leverage private sector investment in order to augment available funding and improve project delivery.
- Expedite the construction of dedicated freight lanes and invest in viable and tested technology that improves trade facilitation and security, which makes our current infrastructure more efficient.
- Create a long-term transportation plan for the United States, Mexico and Canada, maximizing security and relieving congestion and bottlenecks.

PART IV—IMMIGRATION

Comprehensive Immigration Reform

The issue of securing the U.S.-Mexico border should also be looked at in the larger context of comprehensive immigration reform. While increasing physical border security is a vital part of securing our nation's borders, it cannot be the only component. Streamlining the legal flow of goods, services, and people across our border is imperative if we want to identify and stop those who wish to cross the U.S.-Mexico border illegally and maliciously. The pressure on our border caused by wait times at ports of entries and consulates, and the discrepancy between temporary work visas and the demand for work in the United States must be addressed through a comprehensive immigration reform bill to truly secure our borders and make our immigration system work for our nation and not against it.

A major source of alleviating pressure on the Mexican border is to create a streamlined flow for legal immigration. Creating a system that allows those who wish to enter the U.S. legally, positively contributing to American society and the economy, will be a major factor in alleviating the strain felt on the border. Not only will a viable temporary worker flow help alleviate the strain on the border, but it will add to the economic vitality of our country.

Illegal immigration is one of the most significant problems facing our border today. The solution must be one that permits us to make use of our relationship and border with Mexico to provide economic gain for both countries while providing stability and security for both partners.

A quantitative measure of illegal immigration has consistently been obtained by measuring apprehensions at the border. One of the most telling examples of

this correlation was the effect of the Bracero program on border apprehensions during the 1950s. Between 1953 and 1959, the yearly average of agricultural guest workers admitted into the country more than doubled, from 201,380 in 1953 to an average of 437,937 between 1956 and 1959.^{vi} During this same period, the number of border apprehensions by the Immigration and Naturalization Service (INS), now CBP, decreased from 1 million in 1953 to as low as 45,336 in 1959, a 95% drop.^{vii} Conversely, following the end of the Bracero program, from 1965 to 1976, illegal immigration skyrocketed with INS apprehensions rising from 86,597 in 1965 to 875,915 in 1976.^{viii}

This data clearly show the corollary nature of illegal immigration and the legal admittance of temporary guest workers. Providing adequate numbers of temporary worker visas, as dictated by market demand, is imperative to curbing illegal immigration. Careful attention must be paid to the needs of American business, American workers, and those who wish to work in the United States for a temporary period in order to alleviate this pressure on the U.S.-Mexico border.^{ix}

A timelier example of the correlation between the illegal population in the United States and the market demand for employment can be seen by comparing the unemployment rate and the number of illegal immigrants in the United States during the recession. According to the Bureau of Labor Statistics, from January 2008 to January 2009, unemployment rose from 5.0% to 7.7%.^x At the same time, the Department of Homeland Security reported that the illegal immigrant population in this country had dropped from 11.6 million in January 2008 to 10.8 million in January 2009.^{xi}

The H-1B visa cap, which begins its filing date on April 1, was filled by April 8 for FY 2009. The same

cap took close to nine months to reach for FY 2010. As of July 30, 2010, USCIS had roughly 30,000 H-1B visas still available for FY 2011.^{xii}

Between FY 2008 and FY 2009, there was a decrease in the number of admissions in every major temporary worker visa category (H-1B, H-2A, and H-2B).^{xiii}

To alleviate the pressure on the border and to ensure the safety of our country, we must enact comprehensive immigration reform that includes a streamlined temporary worker program. There is, arguably, no higher contested issue—politically—than that of a temporary worker program. This issue has many facets and its complexity demands that it be combined with a full-scale, comprehensive change to America's immigration system. The U.S. Chamber has and will continue to call for comprehensive immigration reform to secure our borders and security and create an immigration system that works toward the goals of economic growth and physical security.

Legislative Update

In 2010, the president signed H.R. 5875, the Emergency Border Security Supplemental Act of 2010. On the surface, this seemed like a strong piece of legislation that would secure our border and provide additional staffing at ports of entry to facilitate legitimate trade. Unfortunately, businesses only had to read a little further to feel the full impact on the U.S. economy.

Rather than finding a legitimate source of funding, Congress decided it would impose fee increases on a segment of the global information services industry that utilizes temporary nonimmigrant visas to bring in skilled professionals with specialized knowledge to serve U.S.-based customers. These customers represent leading, innovative sectors of the U.S. economy, such as health care, financial services, energy, and telecommunications. The value and expertise that U.S. companies receive from global services firms have

made them more competitive, increased U.S. exports, and fueled innovation, growth, and job creation in the United States.

Many of the global companies that are impacted are increasing their long-term investments in the United States. These companies are setting up research and development facilities, sales and data offices, and manufacturing facilities throughout the United States and directly employ tens of thousands of Americans. Not only are these firms creating jobs, but they also are partnering with leading U.S. colleges and universities for recruitment and research opportunities. Skilled immigration is critically important to U.S. economic recovery and increasing the U.S.-based talent pool.

Our Chambers continue to support increased funding for border security and trade facilitation at all our ports of entry. Economic and physical security rely on a secure and efficient border. However, Congress should consider a funding mechanism that does not pose adverse economic consequences for U.S. businesses and undermine efforts to advance U.S. innovation, competitiveness, investment, and job growth.

RECOMMENDATIONS

- Enact comprehensive U.S. immigration reform that addresses local, regional, and national security concerns and streamlines the legal flow of goods, services, and people across the U.S.-Mexico border.
- Improve the H-1B visa process to attract more skilled labor to the United States, without imposing undue costs on U.S. business.



PART V—TRAVEL

Facilitating Legitimate Travel for Business and Pleasure

While issues related to illegal immigration often dominate the political landscape, legal travel by U.S. and Mexican nationals crossing the U.S.-Mexican border is critical for the economic health of both economies. Cross-border tourism is a significant industry for both the United States and Mexico, and spending by tourists constitutes export revenue in each country. In-bound Mexicans represent the largest travel market for the United States at around 19% of all non resident travelers.^{xiv} However, as resources have been directed toward enforcement capabilities between the ports of entry, CBP has struggled to process legal traffic flowing through the ports of entry, affecting both in-bound foreign travelers from Mexico and returning U.S. citizens and legal permanent residents.

Amid this valuable legal flow of travelers, CBP must remain vigilant against legitimate threats. According to recent CBP congressional testimony, during the first six months of FY 2010, CBP seized nearly half a million pounds of drugs and encountered more than 113,000 inadmissible aliens at ports of entry.^{xv} Deploying the right mix of personnel, technology, and infrastructure will enable CBP to succeed on both its facilitation and interdiction missions.

Unfortunately, legitimate travelers to the United States through both land and air border crossings often face lengthy wait times at peak arrival periods. Inadequate staffing of CBP officers, insufficient infrastructure, and an inefficient use of current CBP officers account for the greatest challenges to efficient and secure travel across the U.S.-Mexico border. CBP has continued to receive funding to increase staffing and improve

infrastructure at land ports of entry; however, much of the increase is aimed at preventing illegal crossings and not facilitating legitimate travelers. A report from the Government Accountability Office revealed that staffing shortages at airports and land ports of entry now exceed 4,000 officers, resulting in continued delays for foreign visitors.

In order to improve traveler throughput and welcome foreign visitors, adequate staffing and enhanced customer service are critical. The Model Ports of Entry program, created in 2006, aims to reduce passenger wait times and improve the welcoming experience for travelers in inspection areas. Following a pilot program at George Bush Intercontinental Airport and Dulles International Airport, the Model Ports program was fully authorized by Congress in 2007 and appropriated \$40 million, which was used to hire additional CBP officers and purchase equipment for expansion to the top 20 international arrival airports in the United States. Since these efforts ended in 2008, little progress has been made on improving the ports of entry. We urge the administration to bring back the Model Ports of Entry program and engage the private sector as it pertains to these important issues.

Also of note, in 2010 the U.S. Department of State issued a presidential permit authorizing the construction of an international pedestrian bridge, the San Diego-Tijuana Airport Cross Border Facility, allowing travelers to fly into the Tijuana airport and walk across the border to San Diego. Such innovative approaches to cross-border travel help address infrastructure constraints to tourist travel, such as those that limit potential airport expansion in San Diego.

Of course, maintaining access to the United States requires access to our visa system and our consular

offices. The Department of State has managed to survive a tremendous surge in renewals in visa applications related to the Border Crossing Cards by deploying innovative workarounds to streamline the visa application process. Wait times in certain consulate offices in Mexico remain stubbornly high, nevertheless.^{xvi} Independent advisory boards have informed the Department of State to restructure how it staffs consular offices to better match visa demand and to have a better understanding of the metrics affecting visa wait times, approvals, and reasons for disapproval.^{xvii} We support these findings.

Progress and Opportunities With International Travel

We commend CBP for the deployment of the Global Entry program and encourage enrollment as it offers expedited in-bound processing at 20 major U.S. international airports for prevetted travelers at the very reasonable price of \$100 for five years.^{xviii} Further, we support the SENTRI trusted traveler program for frequent, prevetted travelers crossing the U.S.-Mexican land borders, with enrollment now close to 230,000 travelers and access at eight high-volume ports of entry.^{xix} Currently, however, there is no access for visitors using the SENTRI land preclearance program to reap any benefits from the Global Entry air preclearance program.

We commend CBP for initiating discussions with the Mexican government to develop a bilateral program similar to bilateral agreements with Canada, the Netherlands, and Germany. Concluding these negotiations quickly and creating enrollment marketing for frequent air travelers coming from Mexico would be a huge step forward for encouraging air travel from Mexico.

RECOMMENDATIONS

- As additional resources are made available for southern border funding, ensure a reasonable balance between assets deployed between the ports of entry and those deployed at ports of entry to facilitate legal traffic.
- Negotiate and implement a bilateral agreement between the United States and Mexico to allow Mexican nationals to apply for the Global Entry program and to integrate the SENTRI and Global Entry programs.
- CBP should ensure proper officer staffing at ports of entry to reduce screening wait times, particularly during peak travel periods.
- Bring back the Model Ports of Entry program to engage the private sector and create a better experience for visitors coming to the United States.



CONCLUSION

The U.S. Chamber of Commerce and the American Chamber of Commerce of Mexico have long considered themselves private sector partners to the governments of the United States and Mexico to bolster and secure the safety and prosperity of their citizens. We hope the practical recommendations in this report help facilitate our bilateral commerce and enhance our mutual security. These goals are, in fact, interdependent; they can and must be addressed as one.

Considering the current state of economic difficulty, it is imperative that our countries begin to think strategically about their common future. There is a new call to increase exports and create jobs. These two goals are linked, and investment in trade facilitation and security ensures that we meet these goals. Our Chambers stand ready to help support efforts to achieve this vision.

Let us take our first step today and move forward with a 21st Century U.S.-Mexico border.

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