Trend Analysis: Cross-Border Issues

Trend Statement

Contrary to the high profile nature of United States (U.S.) trade relations with China, Canada and Mexico still remain the country's largest trading partners. Reduced trade barriers allow the U.S., Canada and Mexico better access to each other's markets and facilitate intra-industry (as in the auto industry) and intra-corporate trade as well. Cross-border trade differs in the U.S.-Canada and U.S.-Mexico contexts; however, where very different institutional and technological environments exist. As neighbors, we have a close and mutually economically-beneficial relationship.

Background

Border crossing regions are unique trade gateways. Like port regions, border crossings generate truck traffic destined for local distribution or transfer facilities as well as markets beyond the immediate metropolitan area. Border crossings provide a unique challenge with regard to managing regional freight capacity because of the international context.

U.S.-Mexico border crossings operate in a more complex and uncertain environment than U.S.-Canada crossings. The North American Free Trade Agreement (NAFTA, 1994)[1] and other institutional and regulatory reforms have been designed to improve cross-border freight flows for the U.S., Canada, and Mexico. In 2011, an agreement between Washington and Ottawa further harmonized regulations and allowed the U.S. and Canada to test customs clearance in Canada at locations other than crossing stations as a way to relieve congestion[2]. The test is part of "Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness[3]," a policy initiative announced by President Obama and Canadian Prime Minister Harper in February of 2011. Among other initiatives, our countries intend to enhance the benefits of existing programs so that trusted businesses and travelers can move efficiently across the border; introduce new measures to facilitate movement and trade across the border while reducing the administrative burden for business; and invest in improvements to our shared border infrastructure and technology.

The countries already do joint in-transit targeting, which begins the cargo screening process electronically before a ship leaves its port of origin for North America. The pilot project builds upon this cooperation by looking at the role technology can play in the safe and efficient movement of goods across the border. The concept is "once cleared, twice accepted." Once cargo clears, a Vehicle and Cargo Inspection System (VACIS) on one side of the border, it will

[1] http://www.ustr.gov/trade-agreements/free-trade-agreements/north-american-free-trade-agreement-nafta

[2] Edmonson, R.G. (2011) "Border Deal is Mmm, Mmm Good." *Journal of Commerce*, 12 December: 15-16.

[3] http://www.dhs.gov/beyond-border-shared-vision-perimeter-security-and-economic-competitiveness

not need to be cleared a second time. Inspectors would only need to verify the integrity of the technology designed to prevent tampering with the contents of the container. It should improve the flow of goods by reducing the number of containers inspected on both sides of the border, although technology difficulties have resulted in delays in implementation[4].

The U.S.-Mexican border on the other hand is not as open to U.S. and Mexican trucks respectively. The U.S. has limited the number of Mexican trucks that can access this country (apart from a narrow border region) through a U.S.-Mexico Cross-Border Trucking Pilot Program[5]. Labor unions and consumer safety advocates in particular have objected to an expansion of the program, citing concerns about competition and job loss as well as environmental and safety standards. In response, the Mexican government implemented retaliatory tariffs on U.S. goods.[6] The lack of a truly open border therefore results in further delays at crossings as goods are often unloaded and reloaded on different vehicles on opposite sides of the crossing.

Freight System Implications

Border crossing efficiencies depend upon a complex set of multi-jurisdictional arrangements and funding agreements. Funding for port of entry projects comes primarily from Congressional appropriations, but state transportation departments and local port authorities frequently contribute. The National Environmental Protection Act (NEPA) requires the U.S. General Services Administration (GSA) to identify (not to mitigate) for community impacts outside their right of way. The GSA coordinates their environmental clearance process closely with stakeholder agencies and community representatives to identify those impacts, leaving them with the responsibility to mitigate them. This unfortunate situation impacts local communities and regional mobility at the State's border region.

However, the federal government's role is largely defined by security. Ports of entry have traditionally been concerned with regulatory compliance, and they have had no responsibility for improving mobility. Unlike seaports or airports which are organized to serve their customers, international ports of entry are viewed as protective enforcement sites in a criminal justice system. While airports and seaports have innovative and far-reaching commitments to their adjacent communities, ports of entry are traditionally much more insular.

That translates into a focus on planning at the port of entry itself and not on the border community arterials and connecting roadways that lead into and out of the border crossing. Higher traffic demands at the border will result in congestion spilling over onto local infrastructure that is ill-equipped for high traffic volumes and commercial vehicles.

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[4] Payton, L. (2013) "Canada-U.S. 'Beyond the Border' project beset by delays" *CBC News,* 29 November 2013: http://www.cbc.ca/news/politics/canada-u-s-beyond-the-border-project-beset-by-delays-1.2445809

[5] http://www.fmcsa.dot.gov/intl-programs/trucking/Trucking-Program.aspx

[6] Miller, E. (2011) Mexico Border Policy Challenged: DOT to Audit Crossing Program *Transport Topics* 3944, 2 May 2011: 13.

Although there are a number of national and bi-national institutional mechanisms to address safe and efficient cross-border mobility issues, the California-Mexico border region in particular would benefit from a more focused mechanism to address common border problems and to promote inter-agency solutions in a border integrated strategy. Siloed funding streams and legislative and regulatory restrictions on project eligibility have significantly limited the ability of federal, state and local agencies to innovate in their funding and financing options.

Planning Considerations

Federal border agencies suffer from funding shortfalls to address their current and projected needs. In response, the federal Customs and Border Protection agency is testing partnership strategies with adjacent institutions and communities. A new CBP Resource Optimization Strategy was authorized in the Consolidated and Further Continuing Appropriations Act of 2013 that funded the 2013-14 federal budget. It allows CBP to enter into public-private partnerships, accept asset donations, and enter into alternate financing agreements for modernized, new or expanded port of entry services, but not for improvements outside their own facilities.

Agreements are being negotiated with Dallas Fort Worth Airport, the City of El Paso, South Texas Assets Consortium, Houston Airport System, Miami-Dade County, the Peace Bridge in New York, New International Crossing in Michigan and Lewiston Bridge in New York. Construction began in June 2014 for the Tijuana International Airport Cross Border Airport Terminal in Otay Mesa. Because of this new strategy, it may be possible to encourage the CBP to work with partner agencies and the private sector to pursue federal, state and local funding that improves border operations by making improvements in the communities adjacent to the ports of entry in California.

Along the U.S.-Canada border where cross-border cooperation is more common, regional agencies have emphasized bilateral planning and project management. The collaborative nature of the International Mobility and Trade Corridor Program (IMTC) in Whatcom County, Washington is a successful model for collaborative project identification and prioritization involving Washington State and British Columbia, Canada.

Resources

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CALTRANS, District 11; "California – Baja California Border Master Plan 2008: http://www.dot.ca.gov/dst11/planningproducts/Goods Movement and Border Issues/CA-BC Border Master Plan 2008.

US-Canada: Beyond the Border: http://www.dhs.gov/xlibrary/assets/wh/us-canada-btb-action-plan.pdf

Whatom County International Mobility and Trade Corridor Program: http://theimtc.com/