



SMART BORDER COALITION™
SAN DIEGO-TIJUANA

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Contributions to NAFTA COMMENT PERIOD

The San Diego – Tijuana Smart Border Coalition appreciates the opportunity to offer a response to the request for comment on the subject of a renegotiation of the North America Free Trade Agreement that appeared in the Federal Register on May 23, 2017 under docket number USTR-2017-0006.

The San Diego – Tijuana Smart Border Coalition advocates for smoother and faster flows for cargo, vehicles and pedestrians at the US-Mexico border. We believe that trade/commerce and security are not mutually exclusive that innovation is critical to enhancing our borders.

Our Coalition is a member of the Border Trade Alliance which approaches renegotiation of NAFTA through the lens of an organization that was a vocal supporter of NAFTA at the time of its original negotiation and implementation. Many of our perspectives on NAFTA modernization, mainly for coordination and cargo, coincide with the BTA's and as such, some of our comments in this submission reflect the BTA's comments.

We support the growth of trusted travel and trusted trade. This has the advantage of making our border more secure by enlisting the cooperation of foreign nationals, whether companies or individuals, with Customs and Border Protection.

To this end, Smart Border Coalition proposes the following:

Improved Cross-Border, Inter-Agency Coordination

- 1. The next NAFTA should establish a formalized inter-agency body between all three countries comprised of all governmental agencies authorized to process pedestrians and vehicles.**

Such an organization could focus on promoting better coordination between North American governmental agencies with responsibility for the movement of people and vehicles, continually seeking greater efficiencies and establishing a coherent process for addressing opportunities and conflicts.

The lack of smooth coordination between our authorities has been evident at the El Chaparral port of entry, where Mexico closed the port several times when protesters stormed the area during the first three months of 2017. U.S. Customs and Border Protection was not notified until minutes before the closures.

- 2. The next NAFTA should establish a formalized inter-agency body between all three countries comprised of all governmental agencies with cargo hold authorization.**

Such an organization could focus on promoting better coordination between North American governmental agencies with responsibility for the movement of trade, continually seeking greater efficiencies and establishing a coherent process for addressing conflicts.

Coordination between customs agencies, carriers and exporters on both sides of the border can create viable and efficient platforms to expedite cargo flows that too often encounter bottlenecks on the Mexican side of the border. In implementing solutions, authorities in both countries will better justify trusted trade programs such as C-TPAT and OEA whose memberships have remained stagnant.

Improved Cross-Border, Government-Private Enterprise Coordination

- 1. Private sector entities in all three countries should have a central forum for discussing emerging challenges in NAFTA trade and present their recommendations to customs authorities in Canada, the U.S. and Mexico.**

In the U.S., the Commercial Operations Advisory Committee, or COAC, has been an effective mechanism for members of industry to communicate their unique needs directly to Customs and Border Protection leadership and to develop lasting policies and procedures to make cross-border trade more efficient and more secure. Legislation in the U.S. has codified COAC in U.S. statute.

COAC provides a model that ought to be adopted across all three nations and be reflected in the next iteration of NAFTA.

- 2. Trade facilitation should be addressed through regional and bi-national cooperation mechanisms among customs agencies and private enterprise that rapidly identify and implement technology and infrastructure platforms for intelligent and comprehensive transportation systems.**

The U.S. has an overwhelming number of practical and state-of-the-art transportation solutions that are not being put into place due to governmental delays and lack of decision making. Dynamic tolling to segment regular and trusted travel demand; lane management to reverse North-South and South-North flows when needed; and cargo pre-clearance to inspect goods well before they arrive at the border are some of the major opportunity areas. These opportunities can generate billions of dollars in revenue for both private enterprise and U.S. Government agencies.

Improved Customs Processing

- 1. The revised NAFTA should implement an accurate and continuous Wait Time Measurement system from North to South and South to North, which would be the basis for urban access points and processing changes at the booths as well as guidance for intelligent transportation system implementation.**

Having a continuous and accurate system to measure wait times from South to North and North to South should be the basis for effective lane and queue changes at most border crossings. Better understanding of wait times will give Customs and Border Protection the ability to execute new ways to process vehicles, pedestrians and cargo at the border and will open the possibility for new lane types such as dynamic tolling and reversible lanes.

Wait time reduction has several benefits: reduction of transaction costs, lower opportunity costs, faster trade routes for regional competitiveness, and less exposure to inordinately high levels of CO2 and harmful chemicals in air particles.

- 2. The revised NAFTA should implement the North American Single Window proposal, which would allow one set of data to be used for all import and export transactions within the region.**

Customs agencies on the Southern Border must have systems and software that are compatible and integrated so that trade data can be shared seamlessly. Compatibility and integration will make the "Single Window" trade concept a great deal more feasible in a shorter time frame. It will also allow better information flows from cargo coming to the border rather than cargo at the border, strengthening security measures, reducing bottlenecks and dramatically impacting wait times.

- 3. The Smart Border Coalition is very encouraged by the concept of unified cargo processing (UCP) that has been deployed at Arizona ports of entry along the Mexico border.**

Under UCP, U.S. and Mexican customs personnel work side by side on U.S. soil to conduct outbound and inbound inspections. Each country's officer can make the determination as to whether to send a shipment to secondary inspection. Even in the case where a more invasive inspection is required, UCP ensures that a shipment is only unloaded once, if at all, rather than what exists today, whereby a truck could be unloaded in its country of origin and its country of destination.

UCP represents an approach to inspections that should be the norm in a 21st century economy in the world's most consequential trade pact. It also reflects the incremental progress achieved in previous pilot programs conducted between the U.S. and Canada and the U.S. and Mexico to inspect cargo before it leaves its country of origin.

A Modernized North American Development Bank

The North American Development Bank has benefitted 15 million residents on both sides of the U.S.-Mexico border through sustainable infrastructure since its formation in 1994.

With an initial \$405 million in total paid-in capital contributions from the U.S. and Mexico, NADB has leveraged investments totaling \$6.9 billion in the development of sustainable infrastructure. NADB is the only development bank that finances projects in the United States and has financed 107 projects in economically-distressed areas. In Mexico, NADB has financed an additional 124 projects for a total of 231 projects in both the U.S. and Mexico.

We would encourage the U.S. to seek the first capital increase in NADB's history in the NAFTA renegotiation talks. As an acknowledgement of Mexico as a trading partner, we would also recommend expanding the Bank's ability to participate in the development and financing of natural gas pipelines, power plants in Mexico for North American energy security, as well as trade facilitation projects at our international land crossings while supporting border security.

Additional Options to Enhance or Build Border Infrastructure

- 1 Establish an Appropriations Schedule for the Lease/Purchase of Intelligent Transportation Systems in all Land Ports of Entry.** The U.S. Department of Transportation should facilitate the construction, acquisition, and installation of Intelligent Transportation Systems (ITS) on the border. A revised NAFTA should make it much easier to issue lease revenue obligations with proceeds appropriated to state Departments of Transportation to increase security measures and expedite vehicle and pedestrian crossing as well as trade. ITS facilitation should allow private enterprise to get involved without using donation authority. ITS will also necessitate the cooperation of Mexican customs authorities and private enterprise, thereby providing a comprehensive binational transportation solution.
- 2 Private enterprise should be given an opportunity to invest at the current Ports of Entry. New public partnership arrangements such as CBX connecting the US side of the border with the Tijuana airport have started to set the standard for this mechanism whereby private entities absorb CBP agents' salaries as part of long term agreements.** However, little has been done to use a CBX-type mechanism for existing land ports of entry. Tolling may be an interesting example of what could be achieved. With over 62,500 passenger vehicles crossing our region's two ports of entry from Mexico every day, a toll of \$5.00 for 1/3 of vehicles willing to pay for more expedited crossings could represent upwards of \$100,000 of revenue every day, and almost \$38 million in revenue every year, enough to pay for CBP personnel assigned to the faster lanes and produce a profit for the companies implementing technological and processing changes.
- 3. A new North American Border Infrastructure Bank to Drive a Market Approach to Planning, Financing and Coordinating Border Infrastructure Projects (per the George W. Bush Presidential Center).**

On an average day, approximately \$2.4 billion worth—2 million tons—of goods move between the United States, Canada, and Mexico. That is the equivalent of more than 4 percent of U.S. GDP moving across North American borders every day. However, the U.S. economy alone loses nearly \$8 billion in output every year due to inadequate border crossing infrastructure, insufficient staffing, or inefficient security and customs procedures.

Constraints on federal spending in all three countries mean that state or provincial and local governments must use their budgets, raise public funds, seek alternative funding sources, or postpone projects. A North American border infrastructure bank can overcome funding constraints by creating coalitions among border regions and engaging private capital to build agile and sustainable systems for moving goods and people faster, cheaper and more securely across the North American manufacturing and non-manufacturing platforms.

Working closely with government, private enterprise and industry, a North American infrastructure bank would be well positioned to generate an “end-to-end” border perspective, enabling prioritization of projects according to objective market data, not political criteria.

This is an opportunity to synthesize the best thinking in North America on infrastructure needs into a bank whose impartial, data-driven knowledge products would be accessible and disseminated to public and private stakeholders in all three countries.

The bank must be capitalized to deploy innovative lending instruments and help minimize the risk in border infrastructure projects, many of which never enter the planning phase due to the prohibitively high cost to local communities of conducting feasibility studies and meeting all pertinent regulatory requirements.

The bank must be empowered to assume a neutral and non-regulatory coordination role for transnational projects to reduce the time and resource burden, on national and sub-national entities, of convening stakeholders to execute complex border projects.

Working closely with government and industry, a North American infrastructure bank would be well positioned to generate an “end-to-end” border perspective, enabling prioritization of projects according to objective market data, not political criteria. A North American Border Infrastructure bank would also play a critical role facilitating coordination among agencies and entities building border projects, helping projects come in on time and at cost.

Visa Reforms that are aligned with the realities of facilitating cross-border movement for business and other purposes

1. Green Card Holder Changes.

Many Green Card (Permanent Resident Card) employees of U.S. companies commute to work from the Mexican side of the border every day. Their employers cover payroll taxes for them and they also pay individual taxes as permanent residents. The decision to live in Mexico is done out of necessity, as cost of living there is far lower than in the United States.

Thousands of employees are in a gray area due to their Green Card status. We strongly suggest two things: **First, immigration legislation must be changed to allow these individuals to continue working in the United States but without the obligation to live in the United States.** They should be given the option to live where they prefer. Secondly, Green Card holders who do not want to continue under this status are already given the opportunity to opt for Commuter status, but at \$450.00 the application fee is onerous for most. **Our coalition supports the commuter status option but at a much lower application fee.**

2. Identification management for North-South travelers to enhance legitimate flows of people at land ports of entry.

Many business people and travelers who cross into Mexico have U.S. issued official documents with RFID such as SENTRI cards and United States Driver's licenses. If Mexican immigration and border tax authorities accepted these forms of ID, cross border flows for commerce, trade, work, travel, and family would improve and security concerns would lessen, as Mexico would quickly identify who is entering the country and could share this information with the U.S.

Over the last two decades, Mexico and the United States have established strong security cooperation mechanisms, to the point today where Mexican immigration authorities share information with the United States for all air travelers arriving at major Mexican airports. This effort has been unprecedented and must be continued at Land Ports of Entry for various reasons. Current Mexican immigration law states that anyone coming into Mexico, whether through an airport or a land port of entry, must show a valid passport. No other official identification is accepted. In land ports of entry this is particularly inefficient, as many daily business commuters and short term and spur-of-the-moment travelers do not carry passports with them.

Historically, Mexican immigration authorities have been particularly lax about enforcing immigration law at land ports of entry and this has created a culture of non-compliance. However, the Mexican Immigration Agency has become stricter regarding incoming travelers and visitors. For example, in 2013, at the San Ysidro and Otay Mesa ports of entry, only 13,000 people per month would get inspected if they did not bring their passports when they crossed into Mexico, whereas in 2017, this number is now closer to 200,000.