

**IMPROVING TRADE INFRASTRUCTURE FOR A
MORE COMPETITIVE BINATIONAL REGION**

Briefing Paper

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I. Introduction

This briefing paper of San Diego Dialogue seeks to outline patterns in international trade for the cross-border region and their implications for the development of binational trade infrastructure. It briefly reviews current trends in the development of globally competitive trade infrastructure and updates the status of key regional trade infrastructure projects and facilities. The paper puts an emphasis on the development of regional marine, air and rail infrastructure due to recent changes in the policy environment and emerging opportunities for binational collaboration around the further development of these regional assets.¹

One conclusion that emerges from this review of our existing base of knowledge is the need for a more systematic process for evaluating the status of the region's trade infrastructure and its relationship to regional economic development. While trade is increasingly identified as a driver of the cross-border regional economy, there are more than a few uncertainties regarding the status and future growth of our trade-enabling infrastructure. In the absence of more regular policy forums that seek to better understand the nature of regional trade and relate that knowledge to the development of trade infrastructure, the region will continue to see piece meal approaches to infrastructure development, rather than a seamless and coordinated strategy for creating the physical tools needed for region-state competition in the 21st century.

II. Patterns in the Cross-Border Region's International Trade

Trade in the San Diego/northern Baja California cross-border region is concentrated in manufactured goods rather than raw materials. While most of the region's trade goods enter and leave the region by truck, there are important and growing ties between international trading destinations and the region's air, sea and rail infrastructure facilities. While there are gaps in the available statistical data on the region's international economic ties, particularly in estimates of the product composition of trade flows, there is clear evidence that the scope and volume of the region's trade are expanding.

¹ This briefing paper was prepared by Scott Grimes, Director of Research and Program Development at San Diego Dialogue. The Dialogue would like to acknowledge the support of the Port of San Diego, the San Diego Air Commerce Center at Brown Field, and Hodoyan-Navarro Agencia Aduanal for its economic breakfast program series, as well their support for the preparation of this briefing paper.

Regional Exports

According to the International Trade Administration (ITA) at the U.S. Department of Commerce, San Diego's worldwide exports totaled approximately \$6.7 billion in 1996, the most recent year for which data is available. 98% of these exports were in manufactured goods. San Diego's exports have been accelerating rapidly in recent years. San Diego had the third highest rate of export growth in the country, nearly 15%, between 1995 and 1996.

The following table provides an outline of the recent history of San Diego's exports by country and major international regions.

San Diego Exports by Destination, 1993-96

	1993	1994	1995	1996	Change 93-96 %	Change 95-96 %
Canada	401,097,027	441,299,462	496,838,600	613,232,817	52.9	23.4
Mexico	1,847,451,606	2,032,230,443	2,484,708,183	2,973,933,686	61	19.7
South America	76,272,490	149,272,837	195,106,139	197,317,484	158.7	1.1
Europe	932,611,937	898,016,131	1,035,347,404	1,152,545,747	23.6	11.3
Australia	58,264,661	77,742,235	73,178,190	89,284,485	53.2	22
Rest of World	142,731,619	219,221,507	264,211,205	166,729,290	16.8	-37
Asia	899,320,016	1,049,495,796	1,311,550,055	1,526,361,708	69.7	16.4
Japan	296,841,327	360,223,053	506,155,809	517,470,810	74.3	2.2
China	29,035,431	21,052,074	37,030,448	57,919,069	99.5	56.4
East Asian NICs	400,850,725	475,803,032	513,159,076	658,272,933	64.2	28.3
Hong Kong	115,070,731	166,486,610	141,445,067	165,792,356	44.1	17.2
Singapore	100,142,186	126,226,578	137,215,265	156,210,092	56	13.8
S. Korea	86,989,560	85,646,757	111,302,500	181,505,130	108.7	63.1
Taiwan	98,648,248	97,443,087	123,196,244	154,765,355	56.9	25.6
India	5,446,014	10,066,108	15,628,298	19,873,915	264.9	27.2
Indonesia	14,258,571	17,174,465	22,879,444	37,780,219	165	65.1
Rest of Asia	152,887,948	165,177,064	216,696,980	235,044,762	53.7	8.5
World	4,357,749,	4,867,278,	5,860,939,	6,719,405,	54.2	14.6

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Source: Exporter Location Series, U.S. Census Bureau and International Trade Administration, U.S. Department of Commerce

Mexico accounts for roughly 45% of San Diego’s merchandise exports (approximately \$3 billion in 1996). Exports to Asia have grown nearly 70 percent over the four year period, while growth in exports to South America have grown by 158%. While the growth in exports to South America exceeded growth to Mexico over the four year time period, in the most recent year exports to Mexico expanded by over 15%. Exports to Asia only comprise 23 percent of San Diego’s total exports. It is expected that this lower percentage will help to shield San Diego from some of the negative impact of the current Asian economic crisis compared with the rest of the state of California.

The ITA breaks down San Diego’s exports into major industrial categories. In 1996 electronics and electronic equipment represented the largest industry sector in San Diego’s exports. Approximately 37% of San Diego’s exports, or nearly \$2.5 billion, were realized in this sector. Industrial machinery and computers accounted for 18.4% of exports. Other notable industry sectors include rubber and plastic products, chemical products, scientific and measuring instruments and transportation equipment.

Baja California’s exports are concentrated in the maquiladora sector. Most of these exports are manufactured products being sold to North America. Baja California’s exports compose a varying percentage of imports to the San Diego Customs District based on industry category. Baja California’s exports expressed as a share of the San Diego District’s imports from Mexico in the three key industry sectors noted above is close to 100%, suggesting that what Baja exports in these sectors is typically sent to or through San Diego.² It is interesting to note that Tijuana’s exports are concentrated in the same industrial categories that make up the majority of San Diego’s exports: Electric and Electronic Equipment, Industrial Machinery and Computers, and Scientific and Measuring Equipment. This suggests manufacturing production in these industries are important drivers of the regional economy on both sides of the border.

² In 1996 Baja California’s exports ranged from a low of 19% of San Diego Customs District imports from Mexico for nonmanufactured commodities to a high of 275% in textile mill products. When the share is high, there is the implication that the exports of Baja California are not crossing the land border to California but are leaving to other destinations by other means. When the share is low, there is the implication that the San Diego District is receiving exports from Mexico that are not from Baja California.

Regional Imports

The cross-border region's imports have also been growing steadily over the last two years. Imports into the San Diego Customs District have risen on a year-to-year comparison basis for every quarter in 1996 versus 1997. A significant portion of Baja California's imports are components transferred in-bond to maquiladora manufacturing facilities in Baja California. Baja California has a total of 939 maquiladoras, of which 619 are located in Tijuana, 156 in Mexicali, 102 in Tecate, and 62 in Ensenada. There are approximately 150 Asian maquiladoras in Baja California and these entities are predominantly located in Tijuana and Mexicali. In Tijuana the electronics industry accounts for 60% of all maquiladoras. Most of the electronics maquiladoras are owned by Asian-headquartered transnational corporations and these entities are increasingly functioning as manufacturing centers instead of in-bond assembly operations.

According to Banco Nacional de Comercio Exterior (BANCOMEXT) statistics obtained from the Mexican Secretariat of Commerce and Finance (SECOFI), the total value of imports into Baja California under the maquiladora program has shown an increase in terms of volume and U.S. market share since 1994. According to SECOFI Baja California's maquiladoras imported \$5.7 billion worth of components approved under the maquiladora program in 1997. These figures do not include temporary imports of equipment or peripheral products that are not direct inputs into manufacturing processes.

While the total volume of component goods flowing into Baja California is certainly increasing, the source of these components is still a debated question. Many analysts have estimated that a significant percentage of components being imported under the maquiladora program are being sourced in Asia, and only pass through the United States/San Diego en route to Baja California. However, the BANCOMEXT data drawn from SECOFI reports that, at least for the electronics sector, a significant majority of components are already being purchased from the United States.

Over time changes in the sourcing strategies of transnational corporations and national policy decisions may significantly influence the geographic characteristics of the region's trade. However, predicting the specific direction of trade flow

changes is complicated by the multiple variables effecting regional trading decisions. On one hand, the vertical integration of manufacturing in Baja California and exemptions granted to manufacturers from the NAFTA's local content requirements for specific categories of goods may keep significant trade flow volumes moving on a Asia-Los Angeles-San Diego/Baja trajectory. Alternatively, the phase-out of the maquiladora program, the diversification of suppliers from other parts of North America and the construction of new infrastructure linkages to the East may result in significant changes in the pattern of trade flows. In part, planning for a competitive regional trade infrastructure will be dependent on developing better sources of data on regional trade and proactive strategies to anticipate changes in the composition and direction of regional imports and exports.

III. Trade Infrastructure Requirements in an Age of 'Agile Manufacturing'

The requirements of contemporary trade infrastructure at a regional level are being driven by the changing nature of economic competition in the global economy. Increasingly economic competition in the global arena is being conducted by 'virtual' corporations who are dependent on speed and responsiveness to changing customer demands for competitive success. In an era of just-in-time manufacturing, flexible customization and increasing economies of scope, manufacturers are being challenged to produce quality products at competitive prices and to deliver their products to the market at unprecedented speeds. Indeed, time-based competition is becoming as important a variable as quality and price in the global economy.³

To be responsive to the realities of global competition, firms must develop systems of production and distribution that are highly synchronized. These realities, in turn, dictate that region-states seeking to compete in the global economy must develop trade-enabling infrastructure to support firms with operations in their regions. Policy-makers and other regional stakeholders seeking to develop trade infrastructure must recognize that an increasing percentage of the customers served by firms in their region will be beyond the region's borders and that these

³ John D. Kasarda, "Transportation Infrastructure for Competitive Success," *Transportation Quarterly*, Vol. 50, No. 1, Winter, 1996, p. 38.

customers will demand highly customized products delivered in a timely and predictable fashion.

The defining characteristic of 21st century trade infrastructure will be the development of integrated, “smart” multimodal transportation systems. These systems emphasize cross-docking facilities that link highways, railways, seaports and air cargo ports. The development of these systems will recognize the increasing importance of air cargo to contemporary international trade. For example, more than one-third of the value of exported U.S. products is already transported by air cargo. As a result of this fact, many multi-modal transportation systems are built around large-scale air cargo facilities.

The need to organize production and distribution around real-time customer demand is creating a new role for logistics in manufacturing. Logistics is becoming the critical element in meeting the specific, real-time needs of customers. The effective execution of logistics, in turn, is becoming increasingly dependent on open and real-time information systems. A common system of information that is shared between suppliers, manufacturers and customers is becoming an essential feature of the knowledge-based global economy.

Trade-enabling infrastructure must contain an information component that is directly linked to multimodal transportation networks. This component includes integrated telecommunications networks that facilitate communications between each party in the virtual corporation, including the capacity to conduct product design, prototyping and distance learning. These networks must be supported by software that tracks the flow of goods along key nodes in the distribution path, as well as by electronic data interchange (EDI) that disseminates needed information while protecting intellectual property.

While significant investments have been made across North America and, indeed, throughout the world in trade-supporting infrastructure, there are few examples of “sustained public partnerships with industry that offer customized infrastructure and external support services to improve competitiveness.”⁴ In addition, most government responses to meet the trade infrastructure needs of their regions have

⁴ John D. Kasarda, “Innovative Infrastructure for Agile Manufacturers,” Sloan Management Review, Vol. 39, No. 2, Winter, 1998, p. 75.

tended to be reactive rather than strategic and have been characterized by a pattern of infrastructure development that lacks real integration.

One explanation for this fact might be the absence of coordinated processes in many region-states to consider the long-term needs of their key industries for trade enabling infrastructure. An interesting and perhaps useful research project for our region would be a comparative study of regional planning and decision-making processes for the strategic development of trade infrastructure. Such a study might find particularly interesting lessons from the experience of other cross-border regions that have successfully developed globally competitive systems of trade-enabling infrastructure.

IV. Opportunities for Binational Cooperation in Marine, Rail and Air Trade Infrastructure

The growth in the region's international trade has opened new opportunities for binational collaboration in developing and managing regional trade infrastructure. The following sections discuss four components of the region's trade infrastructure: marine passenger services (i.e. cruise lines), marine cargo, rail cargo and airports. Some of these areas offer immediate opportunities for more concerted binational collaborations, while other areas require continued monitoring to assess opportunities for cooperation in the future.

Note that this typology for trade infrastructure includes the use of regional marine port facilities to "trade" in the service of providing tourism activities to cruise ship passengers. While this paper does not specifically address issues related to roads and highways, the Dialogue realizes the development of this infrastructure is critical to the future success of our trading region. San Diego Dialogue looks forward to convening future regional conversations on the development of road and highway infrastructure, including the implications of new U.S. Department of Transportation funding to develop infrastructure at the U.S./Mexico border.

Marine Passenger Services

Significant economic development opportunities appear to exist for the binational region in the attraction and hosting of cruise lines. Opportunities in the development of cruise services exist for two types of cruise itineraries. The first is a multi-day (typically one-week) cruise itinerary for cruises that might originate in San Diego or Los Angeles/Long Beach. Currently there are only two cruise lines that call in Ensenada and one cruise line that calls at the Port of San Diego. Several cruise lines have expressed their interest in developing new or alternative cruise itineraries in the region, including the creation of new or alternative ports of call in Baja California.

The second type of possible cruise itinerary is a one-day roundtrip cruise between San Diego and Ensenada. No daily cruise has run between San Diego and Ensenada for several years. Regional port officials report that it has been difficult to attract a cruise line capable of sustaining a daily cruise on a year-round basis. One alternative option might be to attract a one-day cruise ship that operates seven

to eight months per year in San Diego and then shifts to a southern location, such as Puerto Vallarta.

The operation of a new daily cruise between San Diego and Ensenada could have a significant impact on local economies. For example, previous estimates have calculated that the average passenger disembarking from a one-day cruise to Ensenada would spend \$50 in the city before returning to the ship for the return trip to San Diego. Thus an 800 passenger ship operating 360 days per year at an average load factor of 70% would result in an annual injection of over \$10 million into the Ensenada economy.

The Ports of San Diego and Ensenada have been conducting joint promotion of their cruise ship facilities to cruise lines since 1996. However, both Ports' officials note that the global expansion of the cruise ship industry should offer new opportunities for the attraction of a daily cruise ship to the region. The rise of mega-cruise liners in major cruise destinations has resulted in the need to shift older, smaller ships to alternative locations.

The Port of Ensenada is currently re-developing its cruise ship terminal as part of its master plan. ICSI, a Philippines company that also operates the Port's marine cargo operations, has acquired the rights to operate the cruise ship terminal from a previous concessionaire. The Port's expansion plans call for the construction of three piers for cruise ships plus a 200 slip marina at the facility. The first two piers are projected to be completed by October of 1998. These capital improvements are requiring an investment of approximately \$21 million. There have also been discussions of the potential to create a mixed-use cruise ship terminal in San Diego that would also include hotel space and retail facilities.

Officials from both ports would like to encourage more one-week cruises to originate in San Diego and to make additional stops at ports of call in northern Baja California. There is also interest in encouraging cruise lines to stop in San Diego after departing from Long Beach. There is an effort underway to alter U.S. federal law to allow foreign-flagged ships to stop in more than one California port, although such an effort will require the amendment of at least two federal statutes and may prove to be difficult due to the opposition of organized labor. Demand for cruises is closely tied to the availability of low-cost airfares which can be packaged with cruise itineraries. This makes the expansion of the region's air infrastructure critical to growing a cruise ship industry, particularly in increasing the volume of international passenger traffic to support multi-day cruises that originate within the region.

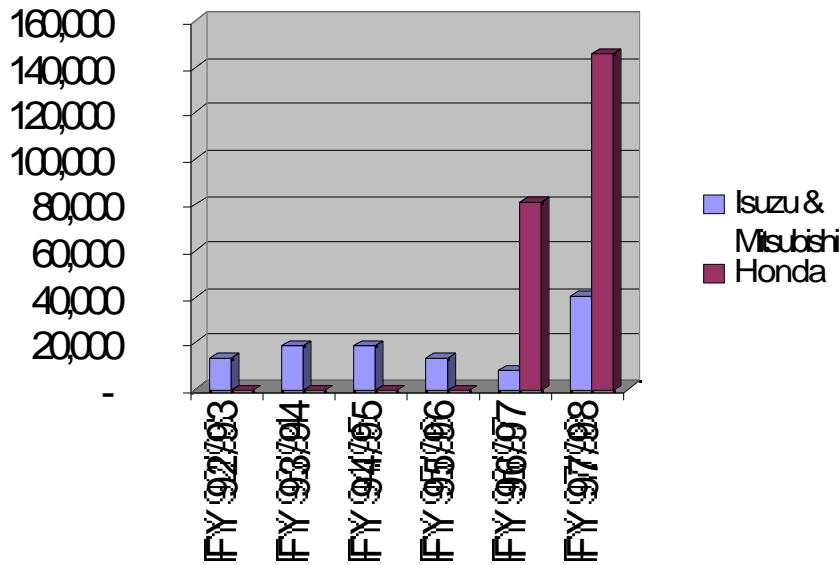
Officials from both ports have identified cooperative marketing efforts to attract a daily cruise line to run round trip from San Diego to Ensenada and back as a top priority. Immediate efforts at cooperation might include a concerted binational effort to target potential one-day cruise line operators, as well as to market directly both Ports' cruise ship facilities to senior executives from international cruise lines.

Marine Cargo

The Ports of San Diego and Ensenada have both experienced significant growth in the volume of their marine cargo, although the current cargo traffic at both facilities is relatively small by global standards. The Port of San Diego's marine cargo business has grown significantly over the past several years. Out-bound cargo from the Port of San Diego includes the export of dry bulk organic chemicals, which are used in the production of window glass and detergents. The majority of these chemicals are exported to Latin America, while approximately 20 percent are shipped to Asian countries.

The Port of San Diego has also made impressive gains in recent years as a center of trade in automobiles. With a 50 percent increase in in-bound vehicles in the current fiscal year, the Port of San Diego is becoming one of the largest automobile handling facilities in North America. Vehicles are imported at the 24th Street Marine Terminal at National City, a 125-acre complex which serves as the primary port of entry for Honda, Acura, Volkswagen, Isuzu, Mitsubishi, Fuso and Hino Motors vehicles. Recent and projected volumes of in-bound vehicles for major manufacturers are shown in the graph on the following page:

In-bound Vehicles from Asia by Make, 1992-1998 (Number of Units)



Source: Port of San Diego

Additionally, for the first time in fiscal year 1997-1998 the Port of San Diego will witness out-bound vehicle cargo traffic to Asia. Port officials estimate that 24,000 Isuzu right-hand drive vehicles will be exported to Japan this year. Expectations are that vehicle exports to Japan and Taiwan will increase steadily with the completion of a \$24 million collaborative project to create a land bridge and improve rail facilities at the National City Marine Terminal.

The Port's second marine cargo facility is the 10th Avenue Marine Terminal (TAMT). Here the Port handles comparatively small volumes of bulk cargo and also possesses a unique cold storage facility for goods that must be maintained at a constant low temperature during shipment. In the future it is hoped that this facility might be linked to the San Diego-Imperial Valley Railroad (see below), giving the Port direct rail access to the Southwestern United States and Northern Mexico. The TAMT facility is not yet profitable, although significant growth

opportunities are projected in a number of service categories. However, Port officials believe that the potential for growth in revenue for this facility is at least partially dependent on the scope and depth of the economic crisis in Asia.

The Port of Ensenada is pursuing a Master Development Plan that encompasses the development of the Port for commercial purposes, including marine cargo facilities and warehousing, as well as to support fishing and tourism. The Port is currently engaged in a multi-million dollar expansion plan designed to create the facilities necessary to support each of these purposes. The Port's multipurpose cargo terminal is operated by International Container Services Inc. (ICSI), a Philippines company. The same firm is engaged in a joint venture with a Mexican construction conglomerate to operate the Port of Veracruz. ICSI has indicated plans to invest \$35 million in the expansion of facilities and equipment to support marine cargo.

The Port has also developed a specialized Bulk Rock Terminal for the export of rock to Southern California. \$9 million is being invested in this facility to support the export of rocks to Los Angeles/Long Beach to supply the California construction market. Currently the Port of Ensenada serves three steamship lines, in addition to a barge cargo service to the Port of Long Beach. The primary cargo for the barge service is seafood.

Port officials have identified opportunities for joint marketing of their marine cargo facilities, based on the specialized capacities of each Port. Officials have noted that realizing the full potential of these capacities will be dependent on the development of direct rail linkages between Ensenada, Tecate and San Diego/Tijuana.

Airports and Air Cargo

The growth of the region's capacity for air cargo is dependent on plans for development of Lindbergh and Rodriguez Fields, Brown Field and the El Toro Naval Air Station. One near-term issue facing the region in air infrastructure is the pending privatization of Rodriguez Field. The privatization of Rodriguez Field is dependent on the Mexican federal government for the development of a timetable and bidding process. These issues are part of a larger package of airport privatization currently underway in Mexico. The 'rules' for the privatization process have recently been published by the Mexican Secretariat for Transportation. Under the terms of the privatization process, the Mexico City

airport will be privatized as a stand-alone entity, while three regional groups of 12 airports each will be privatized as packages. Rodriguez Field is in the Northwest Group, in which the major prize is the Guadalajara airport. This process has already been finalized, now the only question is whether, in the absence of significant bids on the package as it is currently constituted, the Secretariat of Transportation may split off individual airports or smaller groups of airports for privatization.

The privatization process opens the opportunity for a license to operate Rodriguez Field to be granted to a separate entity. The privatization process could allow whichever entity wins the bid to grant the concession for the operation of the airport to a private or public concern. There is a significant desire on the part of Tijuana's civic leadership for the airport to be owned and operated by local interests. These leaders believe that local interests will help to ensure that the airport is a tool for regional economic development, that revenue from the airport is reinvested in the region, and that the airport helps to stimulate private investment.

The growth of Rodriguez Field will be dependent on the parallel growth and specialization of other regional airports. There is strong interest in finding effective strategies to employ the underutilized capacity of Rodriguez Field for the benefit of the region. However, the future direction of Rodriguez Field as a regional airport will clearly be dependent on the long-term expansion of Lindbergh Field. Recent analyses by consultants assisting the Port of San Diego to develop a new master plan for Lindbergh Field have suggested that the airport may be capable of supporting a second runway, which would significantly extend the life of the airport. In addition, next generation aircraft may be capable of long-haul jet flights to and from Asia without the extension of a Lindbergh runway.

The development of such a capacity might limit the viability of Rodriguez Field to develop as a long-haul airport for the region. However, should sufficient demand exist there may still be opportunities for binational cooperation between Lindbergh and Rodriguez for passenger traffic, particularly international passenger traffic. Such cooperative arrangements might include the development of a passenger terminal for Rodriguez Field on the U.S. side of the border, which could be supported by dedicated buses and shuttles between the two airports, complementary rental car facilities, and automatic luggage transfer.

There is also a possibility that the Port of San Diego would wish to seek the concession to operate Rodriguez Field, depending on who submits the winning

privatization bid. Several major international airport authorities have expressed interest in operating privatized Mexican airports, including British airports and the San Francisco Airport Authority.

One unresolved question is the degree to which Rodriguez Field maintains a passenger emphasis while other regional airports develop an emphasis on cargo. In part this will be dependent on the degree to which air freight can begin to replace container shipping for certain classes of components used in manufacturing in northern Baja California. On a binational basis, this specialization will also be influenced by the future development of Brown Field as a significant air cargo facility. Plans are currently in place to develop an air commerce center at Brown Field that would ultimately be capable of supporting up to 30 air cargo flights per day. The center would be supported by multimodal transportation, warehousing and distribution facilities. Plans for developing the air commerce center estimate the facility will take 12 years to construct and will require approximately \$1 billion in private investment.

The long-term development of a complementary strategy for the region's air facilities will be dependent on the resolution of several outstanding questions. Among these are the potential diplomatic procedures and legal constraints to building a binational terminal at Rodriguez Field. Another issue is whether foreign airlines can develop long-haul flights from Asia with two stops (Tijuana and a final U.S. destination) without surrendering U.S. landing rights. Ultimately the development of comprehensive strategies on these issues will require a better understanding of the structure of demand for international passenger travel and international air cargo in the cross-border region. The resolution of these and other questions would seem to be complicated by the absence of a clear regional process for coordinating the planning and development of air passenger and air cargo facilities.

Rail Infrastructure

The development of regional rail infrastructure to support international trade has focused on the uncertain future of the San Diego-Imperial Valley Railroad. This 134-mile rail line between San Diego and the Imperial Valley (via Tijuana and Tecate) has been severed since 1983. Recent efforts to open the railroad have stalled due to a complex and still unresolved privatization process for the Mexican portion of the line, as well as the significant capital investments required on the U.S. side of the border necessary to bring the rail line to full capacity. Reopening

the rail line has also been complicated by the political opposition of U.S. Representative Duncan Hunter (R- 52nd Congressional District), who has argued the so-called 'NAFTA Train' will increase the risk of drug trafficking and robbery in the region.

The status of the privatization of the Mexican portion of the rail line is still uncertain. The Mexican Secretariat of Transportation managed a bidding process to sell the rights to the line, in which it was believed to be seeking a \$4 - \$6 million bid. It ultimately granted the concession to operate the line to a Mexican firm, Grupo Morphy, which submitted a high bid of approximately \$10 million. This bid was several million dollars higher than the next highest offer. However, certain financial interests recently backed out of the deal and the concession has been placed in jeopardy. Currently the Mexican Secretariat of Transportation has granted Grupo Morphy an unspecified period of time to seek alternative sources of financing to retain the concession, In the absence of an alternative financing package, the Secretariat will be required to initiate a new round of bidding, although the resolution of Grupo Morphy's status may extend this process by two or more years.

While the process of privatizing the San Diego-Imperial Valley Railroad has progressed, port officials from Ensenada have also highlighted the opportunity to construct a rail line from Ensenada to Tecate. The Port of Ensenada would have first rights to bid on that concession. Such a rail line would provide a direct link for the Port's marine cargo facilities and Ensenada's expanding manufacturing sector to rail linkages to the United States and Northern Mexico.

IV. Conclusions

The saga of port, air and rail infrastructure in the region has highlighted the difficulties that arise from the absence of a clear and transparent source of information on the status of infrastructure development on both sides of the border. One potential next step for advancing the regional conversation on trade infrastructure might be the creation of a regular forum or council that convened community stakeholders and the representatives of federal, state and local agencies to share information and consider the implications of individual projects for overall regional infrastructure planning. Such entities have been created using the Border Liaison Mechanism in the areas of the border land ports of entry and water supply. A similar entity might be created to shed light consistently on the development of

critical facilities that will help to determine the competitive advantages of our binational region in the global economy.

Such an entity would provide a process for the investigation and resolution of several uncertainties that seem to cloud the current, somewhat scattered, set of conversations on the development of regional trade infrastructure. First is a set of questions regarding the position of the region in patterns of global trade. Specifically, we should better understand the relative importance of Asia, Latin America and other parts of the world Asia as a trading partner for the region. Would it be preferable to grow niches for trade with Latin America rather than investing significant resources to support Asian trade? Or should the region be positioning itself to equally support trade with any or all regions of the global economy?

These issues spark a related set of questions focused on the ongoing shift of cargo transport from sea to air. How does this trend relate to the transportation needs of our region's key industrial clusters? Another uncertainty relates to the prospects for future access to the Ports of Long Beach and Los Angeles, as well as Los Angeles International Airport. Projected congestion at these facilities, and in the land transportation corridors between our binational region and Los Angeles, suggest that we may need to invest in alternative approaches to transferring our goods to trading destinations throughout the world.

It seems that the cross-border region would benefit from a steady set of discussions, even informal discussions, on our trading position in the global economy and the assets needed to support that position. Such a forum would provide an engaged audience for research on regional trade, information on comparative approaches to developing trade-enabling infrastructure and updates on the political, legal and operational status of key infrastructure projects. It would also provide a common regional voice for communication with relevant policy-making bodies in both Mexico City and Washington D.C. on a set of issues central to the future development of our binational region.