

Towards a true U.S.-Mexico Smart Border

C26+ Smart Borders Working Group

Introduction

In 2001, Mexico and the U.S. released a joint statement where they committed to a 22-point agreement to strengthen the integration of the North American region. In this document, both governments introduced the term *smart border* to envision a future where border infrastructure ensures an efficient exchange of goods, services and people. Yet, two decades later, customs processes and infrastructure have not evolved at a pace sufficient to support the rapid growth of border-crossing exchanges and technological innovation.

The most dynamic border in the world has faced an additional challenge during the last 18 months. Starting March 2020, both governments agreed to *closing the border* to all non-essential travel to prevent contagions of COVID-19. While necessary, this policy has flummoxed millions of citizens on both sides since the criteria to determine essential and non-essential activities are vague. What is more, despite public demands for official DHS criteria to lift restrictions, there has not been an adequate response.

The **C26+ Smart Borders Working Group** met in July 2021 to discuss and create *actionable recommendations* for policy makers and the private sector towards building a U.S.-Mexico Smart Border, thereby, increasing the region's competitiveness.

An evaluation on the main issues

There is a set of underlying obstacles within the existing policies and operational processes surrounding the border that limit the potential of U.S.-Mexico exchanges:

- **Uncoordinated decision-making and mis-aligned interests:** the policies implemented along the 1,954-mile border do not consider the intricacy and interdependence of cross-border economic and social relations.
 - The restrictions imposed on non-essential travelers have strongly impacted local economies, most notably in the U.S., where commerce is dependent on Mexican consumers. After 17 months of lockdown, there is no common, binational plan to reopen the border and it is not clear who is in charge of making the decisions in each country.
 - Each country's customs organizations have different interests. The U.S. Customs and Border Protection (CBP) has a security-centered mandate while Mexico's Tax Administration Service (SAT) has a tariff-centered mandate.
- **Under-staffed & outdated customs agencies:** A lack of sufficient personnel and current supporting technologies to meet the demand of the most dynamic border in the world are creating bottlenecks for the exchange of goods and people.
 - Mexican and U.S. customs agencies need more resources, including both additional personnel and modern digital infrastructure, implemented in a more efficient manner.
 - CBP's implementation of 21st century technologies has occurred at a very slow pace. The agency's pilot projects can take months, if not years, to launch as permanent programs.
 - Electronic information systems are antiquated and in danger of malfunctioning, potentially creating a crisis. CBP and SAT are relying on infrastructure from the last century to deal with flows, companies and trade volumes of the 21st century.
 - The recent creation of the National Customs Agency of Mexico (ANAM, in Spanish) and the control transfer of Mexican customs to the Army and the Navy provide more autonomy and independence to use the economic resources of the customs trust.

- **A misguided immigration approach:** during the pandemic, the ports of entry have adopted a hard stance on irregular border crossings by stopping flows and not letting people in, be they undocumented individuals, people seeking asylum, people claiming most vulnerable status, and unaccompanied minors. This will likely lead to a harsher entry-culture admission process among the CBP personnel in the future.
 - **Title 42 deters movement:** The U.S. Code is being used as means to halt the flows of people into the U.S. and has left thousands of asylum seekers stranded in Mexico. It is not clear if asylum policy improvements will be considered once the border reopens.

Recommendations

A U.S.-Mexico Smart Border plan ought to involve stakeholders from government, private sector and civil society and follow the World Customs Organization's guiding principles: customs compliance, secure enforcement and facilitation, and measurable, automated, and technology-based risk management.

Trade Facilitation

- **Pre-clearance for trade and people is critical:** Governments and stakeholders should upgrade the institutional architecture to ensure a harmonized, high-tech pre-clearance system capable of pre-arrival data processing according to clear rules on who is allowed into either country.
- **Harmonization of technologies and processes:** As referenced in USMCA Chapter 19 on Digital Trade, CBP and SAT/ANAM should invest in open source, interoperable data sharing standards for data transmission between Mexican customs systems, US Customs systems and industry.
 - Commitment to open source data sharing standards will preserve competitiveness and optionality for commercial markets, while a mandate for interoperability will ensure that any technology solution built on said standards will work seamlessly and compliantly for regulators and industry alike.
 - Successful implementation of such data sharing technologies also requires policy makers to examine and update their current joint inspection and clearance procedures to maximize efficiencies.
- **Greater dialogue and discussion:** A systematic engagement of governments with the private sector and civil society leaders is required.
 - **At the consular level:** Use interoperable data to expedite the processes to renew expiring documentation and engage in greater dialogues with the border trade community to work on the most pressing issues.
 - **With the legislative branch:** Better liaisoning and external messaging are needed to know plans and priorities for lawmakers in order to propose feasible solutions that will actually be implemented.
- **Create a Civil Customs Corps:** create a public-private partnership to expand trade facilitation capacity by recruiting and training young people from both sides of the border to become the next generation of trade facilitators. On the Mexican side this could include the participation of Youth Building the Future (*Jóvenes Construyendo el Futuro*) program.
 - This Corps can be useful in driving change for addressing other priorities of the Smart Border as well, from policy to technology adoption. It may be used as a template for other public-private collaborations

Physical infrastructure

- **Increase funds access at the border:** establish a Smart Border Fund to finance and connect startups and citizens from both countries to work on initiatives and solutions for border management and logistics issues.

- This approach to spawning “home-grown economic development” by way of start-ups and community-lead initiatives offers a tremendous ROI as success will drive more economic development (new commerce attraction, retention and expansion).
- **Build additional modern infrastructure:** improving the current ports of entry is a first step, but additional POEs are needed. Likewise, it is important to build roads in Mexico to reduce traffic congestion.
- **Establish green practices:** traffic congestions, cargo border crossings and pollution are a reality in border cities. It is key to offer environmental and social justice, as well as equity in public health through environmental management programs. It is unconscionable that people wait in lines for many hours at any time of the day.

Technology implementation

- **Managing the border as a system:** Adopting modern data infrastructure would allow for key performance indicators to be tracked and be readily available to regulators, industry and even to the public. Accurate and actionable data help travelers, businesses and agencies alike, providing accountability as well as opportunities to rapidly identify challenges or threats that should be addressed or improved.
- **Cloud network collaboration:** to ease procedures and optimize the flows of trade and people across the border, we must invest in 4.0 industries with emphasis on interoperable, open data creation, verification and sharing standards.

A gradual reopening is possible

- There are different levels of integration and readiness along the border. The reopening plans should be presented, analyzed and approved on a case-by-case basis, according to each border region’s individualized needs and capacities.
- The Tijuana-San Diego area has reached the immunity levels to safely resume non-essential travel. A first step would be enabling the free movement of SENTRI program members, monitor their development and progressively allowing more types of border-crossings.
- A COVID-19 Vaccination database should be implemented for CBP and SAT/ANAM to ease the travel and trade restrictions for highly interdependent areas (San Diego-Tijuana, Ciudad Juárez-El Paso, Laredo-Nuevo Laredo).

Conclusion

A U.S.-Mexico Smart Border requires sustained collaboration and coordination from the public, private and social sectors. It is of utmost importance to harmonize the thinking and approach towards the border. Instead of border city pairs thinking and acting independently of one another, there ought to be a binational mindset.

The main challenges for the U.S. and Mexican customs agencies can be solved through the use of logistics technology and data to establish performance indicators and facilitate exchanges between the two countries. It is the ability to implement innovation and discover synergies on the both sides of the border that will help to achieve a true smart border.

The private sector and civic leaders should work with Governments to create the “U.S.-Mexico Smart Border” concept during the upcoming relaunch of the High-Level Economic Dialogue (HLED) to be held in Washington D.C. in September 2021.

This paper contains the insights and recommendations of the C26+ Smart Borders Working Group, a community of Mexican and American stakeholders with expertise and knowledge on border-related issues, eager to support and help further U.S.-Mexico collaboration.

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The work of **C26+ Group** is a multi-stakeholder forum where ideas, initiatives and interests converge to 1) make policy recommendations and proposals that contribute to the implementation of USMCA by the U.S, Mexico, and Canada governments through the next five years, after which the first review of the agreement is set to occur; 2) advance binational and trilateral initiatives that foster competitiveness in the region and; 3) create a trilateral community on innovation, entrepreneurship & technology.

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