Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

Arizona Border Communities Roadmap

December 2013

Douglas  Nogales  San Luis  Somerton  Yuma

Leading the Way Toward Economic Prosperity for Arizona’s Border Communities
In today's rapidly changing economic environment, it is critical that we build upon the many assets in border communities, maximize Arizona's trading relationship with Mexico, and ensure strategic action that strengthens border communities' economies and the Arizona economy. The collaborative partnership that has been established between our four state agencies and with Arizona's border community leadership has been unprecedented. The result of this collaboration is evident in the Border Communities Roadmap that will guide our collective future action.

The Roadmap identifies five game changers and the five-pronged response provides the framework for decision-making in a comprehensive and focused manner. Our commitment to the border communities will continue this collaborative approach with the establishment of the "Border Brain Trust." The four agencies will work together with border communities to implement the Roadmap and measure results over time, bringing agency resources as available and providing technical assistance. Working together to implement the Roadmap will bring economic success to the border region and the state, while changing the dialogue about the border from one focused only on security issues to an expanded dialogue around economic opportunity.

The Roadmap is not intended to be a planning document that will stay on a shelf collecting dust. The four state agencies' intent is to work together with border communities to encourage tourism opportunities, develop transportation infrastructure, facilitate trade efforts, and build strategic relationships, all of which will lead to stronger local economies that will benefit the region as well as the state of Arizona.

Sincerely,

Margie Emmerman, Director  
Arizona-Mexico Commission

John Halikowski, Director  
AZ Department of Transportation

Sandra Watson, President and CEO  
AZ Commerce Authority

Sherry Henry, Director  
AZ Office of Tourism
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Arizona’s economy is closely linked to and benefits from a strong relationship with Mexico. As gateways, the Arizona border communities enable the flow of billions of dollars of trade and millions of cross-border travelers each year. The Arizona Border Communities Roadmap is a collaborative, multi-agency effort that examined and developed a strategic action plan with economic development priorities and policy direction in partnership with border communities. The Border Communities Roadmap is an initiative of Janice K. Brewer, Governor of the State of Arizona, to lead the way toward economic prosperity for Arizona border communities.

The Roadmap will help to mobilize assets within border communities and leverage them to enhance community and regional economic vitality, and creates a strategic framework for future economic growth by identifying five border game changers and a five-pronged action implementation strategy.

Arizona’s assets along the southern border, if recognized, promoted, and maximized, can produce considerable economic value for border communities and the entire state. These economic development assets create opportunities for expanded sustainable growth and job creation.

Why Invest in Arizona’s Border Communities?

Mexico is Arizona’s top trading partner, creating jobs in the U.S. and Arizona.

Mexican visitors spend approximately $7.3 million each day in Arizona, providing an annual impact of $2.3 billion.

Nearly 42 million people crossed the border between Arizona and Sonora in 2011.

Nearly half (40%) of all the winter produce consumed in the U.S. comes through the Nogales port of entry.

Arizona’s border region is the gateway to global trade.
As Arizona works to enhance its competitiveness to attract new investment, promote economic development and create an environment conducive to sustainable job creation, Mexico offers an area of opportunity. Arizona exports approximately $6.2 billion worth of goods to Mexico. The information and recommendations provided in the Roadmap are designed to help Arizona’s export to Mexico double by the year 2020.

Arizona’s border communities operate within a rapidly changing binational economic environment and are impacted by a variety of evolving influences. Among these trends are “game changers” — significant shifts that could serve as the catalysts for new opportunities and help strengthen the local and regional border economy. These opportunities provide a context for effectively charting a course for long-term stability.

These “game changers” are defined and a regional context discussion is presented that was influenced by the “best practices” visits made to border communities in California, New Mexico, and Texas. Viewed in conjunction with the site visits to Arizona’s border communities, a pattern of the most important potential trends began to emerge. These game-changing elements led to the Roadmap recommendations for action that can improve the economic future of Arizona’s border communities.

The Border Economic Vision describes an ideal picture of a future condition that can be achieved through focused action and what is hoped to be accomplished through the Roadmap’s implementation.

The Border Communities Roadmap requires a coordinated, focused effort to ensure implementation. Collaboration, leadership, and effective communication are vital to implementing the Roadmap and realizing the vision.

Game Changers Require a Five-Pronged Response for Arizona Border Communities

Each response has an immediate action step and longer-term strategic agenda.

**Build Border Business Case**
Arizona’s strategic position to Mexico’s growing economy represents border communities’ major economic asset. Arizona’s economy is rebounding and the state has many assets that can further accelerate and sustain this strengthening of the economy. Understanding the binational economy and communicating a strong business case is imperative for Arizona’s border communities to be successful.

**Immediate Action**
Write a two-page **mini-business case** for why the border matters to Arizona and to private investors.

- Identify the five elements where **better data** would make the case strong.
- Use those five elements to develop the **medium-term research agenda**.
Enhance Border Economic Viability
The border communities’ economic development focus is geared toward retaining and strengthening existing businesses while attracting quality jobs to the region. The Roadmap discusses building on community assets, developing the labor force needed to meet industry demand, and focusing on business sectors that align with the economic vision.

Immediate Action
Each border community must establish a single point of contact for economic development. Outside interests and investors need to have a credible, easy-to-reach contact that is professional and knowledgeable about the community and its economic strengths.

Improve Border Community Image
Marketing and communicating about the economic opportunity of Arizona’s border communities can help change the dialogue from its current focus on security to strategic positioning of the region for business development. The Roadmap illustrates through lessons learned from other competitive border states the importance of communicating about the binational border region and how critical border communities are to Arizona’s global economic success. It is critical to tell the compelling border economic opportunity story.

Strengthen Relationships and Foster Collaborations
A concerted and coordinated public/private relationship building effort must occur at every level — local, regional, state, and national. The border brain trust is a continuation of the four state agencies that came together with border communities to develop the Roadmap. As the Roadmap moves into the implementation stage, this collaboration will continue.

Immediate Action
Identify the five elements the border communities want to be known for and develop a communication strategy focused around those elements.

Immediate Action
Build the Border Brain Trust. The four state agencies sponsoring this study – the Arizona-Mexico Commission, Arizona Commerce Authority, Arizona Department of Transportation, and Arizona Office of Tourism – have come together in an unprecedented collaborative effort to complete the Roadmap. The four agencies will continue to work together with border communities to implement the Roadmap and measure results over time, bringing agency resources as available and providing technical assistance.
Focus on Border Infrastructure that Links Border Communities to Key Commerce Corridors and Promotes Global Connectivity

Enhancing Arizona’s competitiveness and ensuring sustainable economic growth requires an efficient multi-modal transportation system and adequate infrastructure to meet current and projected demand. Allowing for cross-border trade in a timely manner is imperative. The Roadmap stresses that the linkage of infrastructure and economic development is critical to border communities’ competitiveness.

Immediate Action

Using the Arizona-Sonora Border Master Plan as the foundation, identify five actions that will most enhance the border communities’ global connectivity. Actions should be short-term steps to make progress toward connectivity such as interim or partial projects, staffing needs at the border, connections using local infrastructure, or marketing specific crossings.

The Roadmap is a living document, charting a course for success and needing to be constantly reconsidered in a changing world. The Roadmap’s success will be measured by how it is implemented. It is not intended to be a document cast in stone but to provide the direction to take toward economic prosperity. It is important that the border communities and partners stay diligent about evaluating the need to make course corrections along the way to adjust for new opportunities or changes in priority.
Arizona’s economy is closely linked to and benefits from a strong relationship with Mexico. Arizona’s border communities of Douglas, Nogales, San Luis, Somerton, and Yuma are the gateways to and from Mexico and thus it is critical to ensure their economic viability and sustainability. As gateways, the Arizona border communities enable the flow of billions of dollars of trade and millions of cross-border travelers each year. The Arizona Border Communities Roadmap is a collaborative multi-agency effort that examined and developed a strategic action plan with economic development priorities and policy direction in partnership with border communities. During the June 2011 Plenary Session of the Arizona-Mexico Commission, a series of meetings was held with Janice K. Brewer, Governor of the State of Arizona, to discuss the needs of border communities.

From that dialogue, the idea for a borderwide economic Roadmap emerged. In late 2012, the Arizona-Mexico Commission, Arizona Office of Tourism, Arizona Department of Transportation, and Arizona Commerce Authority came together in a collaborative effort to lead the development of this Roadmap. The Arizona-Sonora Border Master Plan, completed by Arizona Department of Transportation in 2013, identifies the ports of entry and connectivity to the federal highway system projects in both Mexico and the U.S. for the next 25 to 30 years. With an infrastructure strategy in place, the collaborating agencies and the border communities turned to the development of the Roadmap that would position the border region for dynamic and sustainable growth.

Summary of Key Findings

- Overview of the Roadmap planning process and best practices.
- Key observations that emerged from the research, site visits, and interviews.
Planning Process

The Border Communities Roadmap process included several key steps in the development of the final report.

Table 1:
Border Communities Roadmap Process

<table>
<thead>
<tr>
<th>Economic Foundation</th>
<th>Economic Vision</th>
<th>Border Region Economic Roadmap</th>
<th>Strategic Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets &amp; Best Practices</td>
<td>Economic Priorities</td>
<td>Policy Direction</td>
<td>Consensus</td>
</tr>
</tbody>
</table>

Following is a summary of the Process tasks accomplished.

Existing Document Research

The Border Communities Roadmap process is not an exhaustive research project but rather an effort to build upon existing research and recently completed planning endeavors. All appropriate and relevant border communities’ economic development plans and regional planning documents, policies, or other research were reviewed to determine work done to date and through the process ensure alignment with broader initiatives. The Roadmap builds on the current studies having specific implications for border economic development.

Border Community Site Visits

As part of the initial research phase, community tours and meetings were conducted in each of the Arizona border communities to identify assets and economic opportunities.

February 11, 2013 – City of Douglas
February 20, 2013 – City of Nogales
February 26, 2013 – City of Yuma
February 27, 2013 – Cities of Somerton and San Luis

Fundamental Questions

What makes border communities different from other rural communities?

What are the unique needs to make border communities sustainable?

What must to be done to address the different needs of border communities?

What are the priorities to move border communities toward sustainability?

Arizona Border Community Leaders
January 25, 2012
Best Practices In Other States
To identify best practices along the entire U.S.-Mexico border, a team of representatives from the four partnering agencies conducted site visits to California, New Mexico, and Texas. Land ports of entry were the key focus of the visits since they serve as principal catalysts for economic development.

Table 2: Best Practices in Other States

<table>
<thead>
<tr>
<th>Location</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calexico, California</td>
<td>February 25, 2013</td>
<td>Site visit and meeting with the Mayor and the Economic Development Director, along with some informal conversations with various community leaders.</td>
</tr>
<tr>
<td>Cali Baja Bi-National Mega-Region</td>
<td>March 4, 2013</td>
<td>Conference call meeting with Dr. Christina Luhn, Executive Director of the binational initiative, to promote business investments encompassing the entire California-Baja California border region, including San Diego County and Imperial County in California, and Baja, California in Mexico. It is an initiative of the San Diego Regional Economic Development Corporation.</td>
</tr>
<tr>
<td>California Cross Border Webinar</td>
<td>May 30, 2013</td>
<td>Participated in a webinar sponsored by the American Planning Association’s Latinos and Planning Division in conjunction with the Regional and Intergovernmental Planning Division.</td>
</tr>
<tr>
<td>Santa Teresa, New Mexico</td>
<td>June 5, 2013</td>
<td>Site visit and meetings with representatives from the State of New Mexico Economic Development Department - Mexican Affairs Division, the New Mexico Border Authority, Office of Local Preparedness, and the New Mexico Partnership.</td>
</tr>
<tr>
<td>El Paso, McAllen, Brownsville, and Cameron County, Texas</td>
<td>June 4 – 7, 2013</td>
<td>Site visits and meetings with the Borderplex Alliance (El Paso), Federal Reserve Bank – El Paso Branch, Medical Center of The Americas Foundation (El Paso), McAllen Economic Development Corporation, McAllen-Hidalgo and Anzaldusas International Bridges, the McAllen EB-5 Regional Center, Cameron County Commission and Assistant County Manager, and Sharyland Plantation General Manager (master-planned development along the border and an affiliate of the Hunt Realty Investments).</td>
</tr>
</tbody>
</table>
During the site visits and interviews, the following topics were explored.

1. How do the local businesses influence the border wait times?
2. What details that emerged from the region’s growth history offer lessons for Arizona?
3. Is there a menu of opportunities for Arizona border communities that can be gleaned from the best practices identified?
4. How has the area continued to grow even with security issues or negative border perceptions?
5. What are their marketing and cross-border joint marketing efforts?
6. How has private investment and financial investment been engaged for project development?
7. What role does the state play in border economic development?

Observations
The following section includes the observations that emerged from the research, site visits, and interviews. These observations assisted in defining the strategic action steps to be taken by border communities to ensure success.

Gateway

• Desire for an invisible, seamless border for trade and commerce.
• The need for regions to work in partnership with the various agencies toward a common vision is evident.
• Desire for the Arizona border to be recognized as an economic driver for the state and supported as an important economic asset.
• Actions are taken to make the border region inviting and welcoming.
• Improved and expanded port of entry operations and reasonable crossing times across the Arizona-Mexico border are critical to long-term sustainability and economic viability.
• Maximize the close proximity of the border to large metropolitan areas such as Tucson.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

Image
- Greater public understanding of the needs of the border and of border communities. It is important to recognize that urban and rural border issues are different.
- Focus and attention needs to be on creating clean, healthy, and safe border communities with a positive image (internal and external).
- Ensure consensus on the importance of building strong, sustainable communities built upon the rich heritage and multi-cultural attributes and economic opportunity associated with the Arizona-Mexico border.

Infrastructure Supporting Economic Development
- Develop modern, improved infrastructure along the border to maximize economic opportunity.
- Improve rail transportation at the Arizona-Mexico border.
- Improve roadways that support economic development expansion and connectivity to global markets.
- Improve technology to efficiently move goods and people.

Effective Economic Development
- Build the capacity of communities to foster and compete in the global economy.
- Develop vibrant downtowns that are binational attractions bringing both U.S. and Mexican shoppers and visitors.
- Continue value-added agriculture and expansion of technologically advanced farming.
- Position Arizona border communities to take advantage of the near-shoring trend and opportunities.
- Develop border communities’ opportunities for expanded, state-of-the-art logistics operations.
- Capitalize on foreign trade zones in all border communities. These zones are designated site licensed by the U.S. Foreign Trade Zone Board to allow duty-free treatment accorded to items that are re-exported and duty payment is deferred on items sold in the U.S. market.

Tourism Destination
- Maximize tourism destination opportunities and the potential of the region’s natural assets; use unique aspects of each community to draw diverse visitors.
- Attract winter visitors traveling to Mexico to spend more time in Arizona border communities.
- Develop Arizona’s border communities to become more attractive to retirees because of location, culture, and medical tourism.
- Attract visitors who are already in southern Arizona to travel further south to the border region.
- Attract visitors from Mexico and increase the length of stay of day visitors from Mexico into overnight visitors to Arizona.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

International Talent
• Maximize and leverage the international talent of businesses and individuals within border communities.
• Foster the entrepreneurial spirit and grow local businesses to compete globally.

Higher Education
• Expand educational opportunities in Arizona’s border communities.
• Develop synergy and collaboration between Arizona-Mexico higher educational institutions.
• Continue to foster educational institutions working closely with businesses on training and development needs.

A Vision for Arizona Border Communities
Arizona’s border communities are exploring ways to expand and diversify economic opportunities. Understanding and building from assets strikes a balance between managing the community’s quality-of-life (e.g., cultural, environmental, and historical heritage) while creating jobs and wealth. Fundamental to the border communities’ economic development definition is the creation of wealth for individuals, businesses, and the community at large. Sustaining the creation of wealth is the goal of any economic development effort.

Common themes emerged during the planning process, and from the many recent local, regional, and state-sponsored planning efforts, to inform the Border Economic Vision. The “Vision” describes an ideal picture of a future condition that can be achieved through focused action. The “Border Economic Vision” is a description of what is hoped to be accomplished through the Roadmap’s implementation. It describes what can be achieved or maintained as growth, business expansion, and revitalization occurs within the border communities and will help the border region economic development effort evaluate and measure impacts or changes. Arizona state agency partners will use it to frame assistance efforts so that strategic investments can be made most effectively.

Economic Development Defined
The process of creating, attracting, and retaining wealth by mobilizing human, financial, physical, and natural resources (or assets) to produce marketable goods and services.

Border Economic Vision
The Border Region is “Arizona’s Gateway” to global opportunities, leading the way to economic diversification, innovation, strategic investment, job creation, and quality community building.
Arizona's Relationship with Mexico

Arizona shares a 300-mile border with Mexico. This 300-mile border is one of the most dynamic and is of critical importance to Arizona for many reasons.

Mexico Today

Mexico, a country of 120.8 million people offers opportunities for Arizona and Arizona companies. Mexico is expected to become the largest economy in Latin America by 2020, overtaking Brazil, which currently holds that distinction. According to World Bank information, Mexico's Gross Domestic Product (GDP) reached $1.178 trillion making it the 14th largest economy in the world based on 2012 data. This also means that Mexico's GDP per capita is approximately $9,800.

The country was hit hard by the recession, with a -6% change in GDP in 2009, yet from 2010 to 2012, Mexico’s GDP growth rates have ranged between 4% and 5%, meaning that Mexico has fully recovered from the recession and has continued on an impressive path of continued growth. The International Monetary Fund is projecting that in 2013 Mexico’s economy will grow by 1.2% but will rebound to 3% in 2014 and continue in the positive with 3.8% through 2018.

1 Source: World Bank
2 Source: World Bank
3 Source: World Bank
4 Source: International Monetary Fund
Another indicator of Mexico’s future prospects is reflected in the announcement by President Enrique Peña Nieto that in the first half of 2013, Mexico received close to $24 billion in Foreign Direct Investment (FDI) with the expectation that by the end of 2013 approximately $35 billion will have been invested in Mexico from countries worldwide in almost every sector of the economy, including key investments in the automotive sector and in beer production. This record setting amount of FDI indicates that investors are bullish on the Mexican market but also on the ability to manufacture products in Mexico for sale into the U.S.

Mexico’s growing middle class makes the country an attractive consumer market for just about any product. For border-states and border communities, the growing affluence of Mexican citizens is of great importance as it means that a greater number of Mexicans will be able to travel to the U.S. and will have more disposable income to spend on goods and services in Arizona and the nation.

The border is at the forefront of the efforts to keep our nation safe and secure against foreign threats. But the border is also the place for visitors worldwide to enter Arizona and the U.S. It is also the gateway for billions of dollars of goods flowing between the U.S. and Mexico.

One of Arizona’s oldest designated crossings is the rail crossing at Nogales. In fact, the cities of Nogales, Arizona and Nogales, Sonora (commonly known as Ambos Nogales) grew around a designated train stop. And in an example of how border cities have evolved, Ambos Nogales have grown from a rail stop in the late 1800’s to one of the most dynamic border cities with close to 400,000 people. This same story can be told about other major land ports of entry at Douglas/Agua Prieta and San Luis/San Luis Rio Colorado. But there are also smaller yet still critical ports of entry, including Naco/Naco, Sasabe/Altar and Lukeville/Sonoyta.

As a result of examining the six land ports of entry as a system rather than individual border crossings, Arizona and Sonora have been able to modernize existing ports and constructing new ones with unprecedented effectiveness over the past decade.

For the most part, Arizona’s ports of entry were built as early as the 1930’s with some upgrades and modernization projects taking place over the years. But it was not until September 11, 2001, or 9/11 as it is now known, that the purpose and dynamics at the border and the ports entry changed. Prior to 9/11, the border with Mexico had fencing mostly around population centers, and the border with Canada was touted as the longest unprotected border in the world. Ports of entry were tasked with collecting tariffs and duties and protecting the nation against counterfeit products and the importation of drugs.

But 9/11 brought a dramatic paradigm shift at the border and ports of entry. Arizona’s border and the ports of entry are now at the forefront of U.S. efforts to protect the country against terrorist attacks, combat drug trafficking and human smuggling, stem the flow of weapons and prevent money laundering. Additionally, among the new responsibilities at the ports are ensuring the safety of all the imported food, protecting against intellectual property violations, and even compliance with Federal Communications Commission regulations on imported radio or transmission equipment. The ports of entry and the border are complex and at the confluence of security, safety, trade, food safety, tourism, and culture.

Since 9/11 the Arizona border has seen the broad deployment of personnel, technology, infrastructure, and fencing to support enforcement efforts. At the same time, the U.S. borders with Canada and Mexico have also seen an explosion in bilateral trade, from
just over $200 billion 20 years ago to close to $1 trillion in 2012. It also is the gateway for approximately 300 million people crossing into the U.S., or approximately 600 million people crossing in two-way flows each year.

**Arizona’s Border with Mexico**

Although Arizona's border is shared mostly with the state of Sonora, the border touches Chihuahua on the east and with Baja California on the west. But there are no ports of entry connecting Arizona directly with Chihuahua and Baja California. As a result, Arizona has forged a strong relationship with the state of Sonora. Approximately 54 years ago, the two states created the Arizona-Mexico Commission in Arizona and its sister organization in Sonora, the Sonora-Arizona Commission to solidify relationships. For Arizona, the Arizona-Mexico Commission is the principal organization to manage and oversee the state’s relationship with Mexico. Through its 14 committees, the Commission offers a vehicle for the public and private sectors to interact and address issues of importance to both states. (www.azmc.org).

Arizona’s ports of entry process approximately $28 billion worth of imports and exports each year. Of that, Arizona exported $6.2 billion to Mexico and imported $6.8 billion in 2012. The rest of the goods processed at Arizona's ports of entry were destined to other locations outside of Arizona. Therefore, close to $15 billion worth of goods passing through the ports of entry are utilizing Arizona as a bridge to other destinations.

Arizona’s total exports to the world reached $18.4 billion in 2012. Arizona’s largest export destination was Mexico with $6.2 billion, Canada $2.1 billion, and China $1.2 billion in 2012. In addition, Arizona’s imports from Mexico reached $6.8 billion in 2012, for a bilateral trade relationship with Mexico of more than $13 billion.\(^6\)

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\(^6\) Data provided by Arizona Commerce Authority

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**Action:**

The Arizona Commerce Authority, in conjunction with other relevant state agencies and universities should work to identify and implement programs designed to help Arizona increase its share of the products that cross through Arizona’s border but simply pass through the state to other destinations.
### Table 3: Export Growth

<table>
<thead>
<tr>
<th>Export Growth Compared to other western States &amp; USA</th>
<th>Export Growth (FY12-FY13)</th>
<th>National Export Initiative Growth (FY09-FY13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington</td>
<td>10.9%</td>
<td>57%</td>
</tr>
<tr>
<td>Colorado</td>
<td>5.6%</td>
<td>44%</td>
</tr>
<tr>
<td>Texas</td>
<td>3.3%</td>
<td>80%</td>
</tr>
<tr>
<td>Arizona</td>
<td>1.9%</td>
<td>34%</td>
</tr>
<tr>
<td>USA</td>
<td>1.0%</td>
<td>57%</td>
</tr>
<tr>
<td>Oregon</td>
<td>-0.1%</td>
<td>38%</td>
</tr>
<tr>
<td>California</td>
<td>-1.4%</td>
<td>44%</td>
</tr>
<tr>
<td>Nevada</td>
<td>-6.1%</td>
<td>60%</td>
</tr>
<tr>
<td>Utah</td>
<td>-14.2%</td>
<td>87%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>-16.9%</td>
<td>115%</td>
</tr>
</tbody>
</table>

### Table 4: Arizona Exports

<table>
<thead>
<tr>
<th>Arizona Exports in Selected Sectors</th>
<th>FY13 Amount (in million $)</th>
<th>Percentage Growth FY12-FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer &amp; Electronic Products</td>
<td>$ 2,234.0</td>
<td>-10.20%</td>
</tr>
<tr>
<td>Transportation Equipment</td>
<td>$ 1,500.8</td>
<td>1.60%</td>
</tr>
<tr>
<td>Minerals &amp; Ores</td>
<td>$ 952.1</td>
<td>40.30%</td>
</tr>
<tr>
<td>Machinery (except electrical)</td>
<td>$ 801.1</td>
<td>-4.20%</td>
</tr>
<tr>
<td>Fabricated Metal Products</td>
<td>$ 578.0</td>
<td>31.30%</td>
</tr>
<tr>
<td>Ag products</td>
<td>$ 517.4</td>
<td>-8%</td>
</tr>
<tr>
<td>Electrical Equipment</td>
<td>$ 502.5</td>
<td>-10.30%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>$ 260.7</td>
<td>234%</td>
</tr>
</tbody>
</table>

*Source: Arizona Commerce Authority*
Table 5: Arizona’s Imports from Mexico

<table>
<thead>
<tr>
<th>Item</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Commodities:</td>
<td>$6,753,025,215</td>
</tr>
<tr>
<td>Agricultural Products</td>
<td>$2,280,764,836</td>
</tr>
<tr>
<td>Transportation Equipment</td>
<td>$944,104,211</td>
</tr>
<tr>
<td>Machinery; Except Electrical</td>
<td>$644,382,933</td>
</tr>
<tr>
<td>Computer and Electronic Products</td>
<td>$576,626,091</td>
</tr>
<tr>
<td>Electrical Equipment; Appliances</td>
<td>$499,706,309</td>
</tr>
<tr>
<td>Primary Metal Manufactures</td>
<td>$442,910,034</td>
</tr>
<tr>
<td>Miscellaneous Commodities</td>
<td>$231,128,342</td>
</tr>
<tr>
<td>Fabricated Metal Products</td>
<td>$185,156,123</td>
</tr>
<tr>
<td>Other Animals; Livestock/Products</td>
<td>$135,567,531</td>
</tr>
<tr>
<td>Textile Mills Products</td>
<td>$132,509,681</td>
</tr>
</tbody>
</table>

The Arizona port of entry system processed 754,000 trucks, 15 million cars, 1,300 trains and just over 42.4 million people in two-way traffic in 2012. All indications are that 2013 will show a dramatic increase and possibly set a new record for the number of trucks and trains crossing through the Arizona border. This is an important trend because Mexican visitors spend considerable money throughout Arizona. A recent study by the University of Arizona demonstrated that Mexican visitors spend $7.3 million per day in Arizona or $2.6 billion a year.

Action:
Update the study conducted by the University of Arizona on the impacts of Mexican tourism on Arizona’s economy.

---

7 Data provided by U.S. Customs and Border Protection
Table 6: Mode of Transportation (2012)

<table>
<thead>
<tr>
<th>Location</th>
<th>Trucks</th>
<th>Car</th>
<th>Pedestrians</th>
<th>Buses</th>
<th>Trains</th>
<th>Total People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Douglas</td>
<td>31,636</td>
<td>1,405,122</td>
<td>1,198,838</td>
<td>2,065</td>
<td></td>
<td>3,829,000</td>
</tr>
<tr>
<td>Lukeville</td>
<td>22</td>
<td>270,347</td>
<td>39,513</td>
<td>390</td>
<td></td>
<td>623,066</td>
</tr>
<tr>
<td>Naco</td>
<td>3,728</td>
<td>270,416</td>
<td>72,896</td>
<td>21</td>
<td></td>
<td>566,648</td>
</tr>
<tr>
<td>Nogales</td>
<td>307,626</td>
<td>2,823,290</td>
<td>3,238,929</td>
<td>8,068</td>
<td>657</td>
<td>9,130,785</td>
</tr>
<tr>
<td>San Luis</td>
<td>34,891</td>
<td>2,689,727</td>
<td>2,497,321</td>
<td>13</td>
<td></td>
<td>7,072,711</td>
</tr>
<tr>
<td>Sasabe</td>
<td>-</td>
<td>13,781</td>
<td>977</td>
<td>-</td>
<td>-</td>
<td>26,642</td>
</tr>
<tr>
<td>Totals</td>
<td>377,903</td>
<td>7,472,683</td>
<td>7,048,474</td>
<td>10,557</td>
<td>657</td>
<td>21,248,852</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Transportation

Table 7: Commercial Traffic Volumes

<table>
<thead>
<tr>
<th>Location</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Douglas</td>
<td>21,951</td>
<td>26,718</td>
<td>26,062</td>
<td>25,162</td>
<td>25,504</td>
<td>29,833</td>
<td>31,636</td>
</tr>
<tr>
<td>Lukeville</td>
<td>654</td>
<td>481</td>
<td>432</td>
<td>297</td>
<td>90</td>
<td>33</td>
<td>22</td>
</tr>
<tr>
<td>Naco</td>
<td>4,052</td>
<td>4,628</td>
<td>2,446</td>
<td>1,661</td>
<td>2,512</td>
<td>3,376</td>
<td>3,728</td>
</tr>
<tr>
<td>Nogales</td>
<td>289,590</td>
<td>295,267</td>
<td>303,757</td>
<td>276,877</td>
<td>307,510</td>
<td>287,091</td>
<td>307,626</td>
</tr>
<tr>
<td>San Luis</td>
<td>45,581</td>
<td>42,716</td>
<td>43,791</td>
<td>39,644</td>
<td>37,103</td>
<td>34,190</td>
<td>34,891</td>
</tr>
<tr>
<td>Sasabe</td>
<td>392</td>
<td>296</td>
<td>362</td>
<td>120</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Totals</td>
<td>368,490</td>
<td>370,106</td>
<td>375,850</td>
<td>343,761</td>
<td>372,719</td>
<td>354,573</td>
<td>377,903</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Transportation
The port of entry system that connects Arizona with Mexico is a dynamic and complex system. Each port of entry and border community has unique mix of traffic issues and community needs. For example, the city of San Luis has a high number of pedestrian crossings due to the regional agricultural sector. To ensure maximum economic benefit and implement strategic improvements it is critical to understand the movement of goods and people through each port of entry.
In today’s rapidly changing economic environment there are a variety of evolving influences and trends that impact and will continue to impact Arizona’s border communities. Among these trends are important “game changers,” the significant shifts that could serve as the catalysts for new opportunities and help strengthen the local and regional border economy.

While the environment is changing all the time, the identified “game changers” grew out of the “best practices” visits to California, New Mexico, and Texas, the site visits to Arizona’s border communities, and by the background research conducted. Taken together, a pattern of the most important trends and the response strategies that other communities were using began to emerge.

The five game changers for Arizona border communities are:

1. Build Upon Arizona Border Community Assets
2. Form New Strategic Alliances
3. Harness Mexican Economic Shifts
4. Leverage Key Commerce Corridors for Market Connectivity
5. Support Emerging Business Development Opportunities

Summary of Key Findings

- Five game changers that are the catalyst for border community action.
- The game changers, if well executed and consistently tracked, could strengthen the local and regional border economy.
Game Changer #1: Build Upon Arizona Border Community Assets

Building from community and regional strength offers a platform to mobilize resources and link strategies more efficiently and effectively. The approach is to focus on existing assets and leverage resources in order to create the framework for future economic growth.

Arizona’s assets along the southern border, if recognized, promoted, and maximized, can produce considerable economic value for border communities and the entire state. These economic development assets create opportunities for expanded economic development.

Asset-based community development is about community building from a base of strength. Each of the five border communities’ assets creates that foundation for prosperity to develop. The following section discusses each of the Arizona border communities’ assets.

Arizona Border Communities Critical Assets

- 6 land ports of entry
- Rail connection with Mexico
- 6 airports; 3 with international designation
- Industrial parks and available land
- University and community colleges involvement
- Positioning of manufacturing in corridor
- Cross-border commerce and activity
- Large percentage of U.S. winter crops are grown in Yuma County
- Nearly half of all U.S. produce consumed comes through Nogales
- Foreign Trade Zones in all border counties
- Close proximity to large metropolitan areas like Tucson
- Historic downtowns, many visitor attractions, and cultural assets
- Border communities are destinations
Border Communities Roadmap

Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

City of Douglas Assets
The city of Douglas is the second largest city in Cochise County behind Sierra Vista and is located on the U.S.-Mexico border. Agua Prieta, Sonora, Mexico is directly across the border from Douglas and has an estimated population of 110,000 people as of 2010. The city of Douglas experiences considerable cross-border traffic for commerce. The Douglas retail market area is much larger than what is represented in the existing U.S. regional market area.

Table 9:
City of Douglas Population

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2000</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Douglas</td>
<td>13,137</td>
<td>14,312</td>
<td>16,673</td>
</tr>
<tr>
<td>Cochise County</td>
<td>97,624</td>
<td>117,755</td>
<td>130,752</td>
</tr>
<tr>
<td>Arizona</td>
<td>3,665,228</td>
<td>5,130,632</td>
<td>6,498,569</td>
</tr>
</tbody>
</table>

Source: Office of Employment & Population Statistics, Arizona Department of Administration

The Douglas port of entry occupies a small (4.8 acres) site and was built in 1933 and expanded in 1993. It provides processing for passenger-operated vehicles (seven lanes) and pedestrians (two lanes). Commercial vehicle processing facilities include two primary inspection lanes and six designated docks with only three in full operation. In order to expand the processing capacity of the compound, the city of Douglas has leased a parking lot just across the street from the federal compound so that employees and government vehicles can be parked without blocking docks or creating additional congestion inside the compound.

The city of Douglas is working to advance the construction of a new port of entry at a location approximately three to four miles to the west of the existing port. This new port of entry would remove commercial operations out of the downtown area, improving safety and reducing congestion. This move would present an important opportunity for the cities of Agua Prieta and Douglas to work collaboratively on downtown planning. The existing port of entry would be expanded and dedicated solely to non-commercial traffic (automobiles, pedestrians, and bicyclists). Expansion of the existing Mexican inspection facility and associated transportation infrastructure in neighboring Agua Prieta is necessary in order for the planned design of the expanded port of entry to function as intended.
Quality-of-life amenities such as healthcare facilities and services are important to Douglas. General medical and surgical care is currently available.

Cochise College is a strong economic development partner providing educational programs and business training including the certified pilot and unmanned aircraft systems training. Other educational partners include the University of Arizona, which offers upper-division courses for students to complete undergraduate degree programs and graduate degrees in select disciplines.

The Douglas economy is a binational competitive marketplace for industry and trade. The community is focused on business development and expansion. Many of the manufacturing plants in Agua Prieta operate under the twin-plant (maquiladoras) concept in which Douglas serves as the warehouse distribution center and Agua Prieta the manufacturing epicenter. Agua Prieta has more than 30 manufacturing plants with multiple warehouse operations in Douglas. Tourism attracts visitors to several nationally registered historic landmarks, including the Douglas Historic District and other historic landmarks and tourist destinations throughout Cochise County.

### Douglas Community Asset Inventory

#### Individual
- Volunteers
- Multi-Generation Families
- Dedicated Elected Officials
- Committed Staff

#### Associations
- Cochise College Small Business Development Center
- Douglas Regional Economic Development Corporation
- Douglas Visitors Center
- Cochise County Workforce Development, Inc.
- Greater Douglas Chamber of Commerce

#### Community Resources
- UAS Training
- Douglas Unified School District
- Cochise College
- Chiricahua Community Health Centers, Inc.
- University of Arizona
- Registered Historic Landmarks
- Proximity to Sierra Vista and Fort Huachuca
- Downtown Douglas Historic District
- Copper Queen Medical Center
- Douglas Farmers Market

#### Natural Resources
- Agriculture
- Kartchner Caverns
- Dos Cabezas Mountains
- Chiricahua Mountains
- Coconino National Forest
- Wine Industry and Tasting
- Tombstone Historic District
- Stargazing and Astronomy
- Cochise Stronghold
- Slaughter Ranch Museum

- Cochise Industrial Park
- Southeast Arizona Medical Center
- Runway and Pilot Program at Cochise College
- Agua Prieta Maquiladoras
- Foreign Trade Zone #139
- International Ports of Entry
- Ramsey Canyon Preserve
- National Parks
- County Recreational Amenities
- Open Space and Natural Environment
- Dragoon Mountains
- City-owned Golf Course
- Ranching
City of Nogales Assets
The city of Nogales is the largest city and county seat in Santa Cruz County located on the U.S.-Mexico border. Nogales, Sonora, Mexico is directly across the border from Nogales, Arizona, and the combined area is commonly referred to as Ambos Nogales because of the close linkage between the two communities.

Table 10:
City of Nogales Population

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2000</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nogales</td>
<td>19,489</td>
<td>20,878</td>
<td>21,392</td>
</tr>
<tr>
<td>Santa Cruz County</td>
<td>29,676</td>
<td>38,381</td>
<td>48,724</td>
</tr>
<tr>
<td>Arizona</td>
<td>3,665,228</td>
<td>5,130,632</td>
<td>6,498,569</td>
</tr>
</tbody>
</table>

Source: Office of Employment & Population Statistics, Arizona Department of Administration

The city of Nogales has one of the busiest ports of entry and experiences considerable cross-border commerce traffic. Like many border communities, the Nogales retail market area stretches deep into Mexico and beyond the existing U.S. market base. Nogales is the largest international crossing in Arizona and is the principal gateway for Arizona’s trade relationship with Mexico. The city boasts four international ports of entry that contribute millions of dollars daily as a result of the movement of goods and people. Nogales shares a rich heritage with its sister city in Nogales, Sonora, Mexico. Nogales, along with the other border communities, is in close proximity to the metropolitan areas of Hermosillo, Tucson, and Phoenix and is served by direct interstate linkages to both Tucson and Phoenix.

Each day an average of 40,000 people, 9,000 vehicles, and 150-200 railcars enter Arizona through the four Nogales ports of entry.

- Mariposa (pedestrians, private and commercial vehicles)
- DeConcini (private and commercial vehicles, pedestrians, and railcars) – located 1.4 miles east of Mariposa in the heart of downtown
- Morley Gate (pedestrians only) – located adjacent to DeConcini, aligning with Morley Avenue (a major shopping corridor)
- Nogales International Airport
In 2012, 45% of all pedestrians, 42% of all passengers, and 37% of all vehicles crossing from Sonora into Arizona passed through the Nogales ports of entry. The DeConcini port of entry has eight lanes and all are dedicated Secure Electronic Network for Travelers Rapid Inspection (SENTRI) compatible, but typically only one is required to handle the traffic in queue with the appropriate credentials. One lane is used for buses and recreational vehicles after the nearby Mariposa port of entry closes for the evening. Six pedestrian lanes are available also and are SENTRI compatible but typically only one is used.

The city of Nogales has Arizona's only rail connection with Mexico. The Union Pacific's Nogales Subdivision links Nogales with Tucson and ultimately the railroad's Sunset line. From the border, the line extends south to connect to Ferrocarriles Mexicanos (Ferromex) and serves auto assembly plants and industries in all of Sonora and western Mexico (connecting to the Guaymas deep sea port). Due to spatial constraints at DeConcini, inspections of northbound trains occur at facilities in Rio Rico, Arizona, approximately 12 miles north of the DeConcini port of entry. Currently, Union Pacific typically runs about six to eight trains daily (both northbound and southbound) on the Nogales branch between Nogales and Tucson and considers the branch to be operating at more than 50% capacity.

Nogales has a broad diversity of businesses including cattle, produce, manufacturing, manufacturing services, and retail and it has a Foreign Trade Zone offering business incentives. Nogales businesses have expertise in global logistics that can be more fully utilized. The Mariposa port of entry is one of the ten busiest cargo ports along the U.S.-Mexico border. It is the main

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8 Data Source: U.S. Customs and Border Protection
9 Arizona-Sonora Border Master Plan; 2013
commercial processing location for Arizona and the Arizona-Sonora region is the hub of the “fresh produce highway.”

Traffic moving through the Mariposa port of entry primarily uses SR-189/Mariposa Road to access I-19. ADOT has invested more than $20 million over the past five years in making substantial improvements to SR-189. Additionally, ADOT is conducting a design study for SR-189 in order to identify the long-term improvements required to accommodate the expected growth in both commercial and non-commercial traffic through the Mariposa port of entry.

The Nogales International Airport is a general aviation airport located in the Patagonia Mountains foothills, near the Arizona and Mexico border. It is open to the public and attended between 7 a.m. and 7 p.m. The airport is owned by Santa Cruz County and is a small general-aviation facility designated as an airport of entry in the national airport system, accommodating both domestic and international general aviation, corporate, cargo, and air taxi traffic. Government organizations utilizing the airport include the military, national guard, and border patrol.

Santa Cruz County and the city of Nogales have extensive recreation and historic assets that attract domestic and international visitors. Nogales has 200 properties listed in the National Register of Historic Sites, two of which are the Tumacacori National Monument, visited by Father Kino in 1691; and Tubac Presidio, established by the Spanish in 1752 on an Indian village site. Other sites are the Old Tubac Schoolhouse, Old Nogales City Hall, Santa Cruz County Courthouse, and Patagonia Railroad Depot. The Patagonia- Sonoita Creek Sanctuary, 19 miles east, attracts worldwide visitors to see its diverse bird life. Nogales’ original city hall houses Pimeria Alta Historical Society Museum. Nearby are Parker Canyon, Peña Blanca Lake, and Patagonia Lake State Park. Visitors also enjoy area ghost towns and mining camps. Nogales, Sonora, offers curio shops, and first-class restaurants and night clubs.

10 Fresh Produce and Production-Sharing: Foundations and Opportunities; UA; June 2013
11 Arizona Commerce Authority; Nogales Profile 2013
City of San Luis Assets

The city of San Luis is in the southwestern corner of Arizona immediately adjacent to both Mexico and California. Only 140 feet above sea level, San Luis was established in 1930 with the opening of the U.S. port of entry. Since incorporation in 1979, it has experienced population and commercial growth, making it one of the fastest-growing Yuma County communities.

Table 11:
City of San Luis Population

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2000</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Luis</td>
<td>4,212</td>
<td>15,322</td>
<td>31,080</td>
</tr>
<tr>
<td>Yuma County</td>
<td>106,895</td>
<td>160,026</td>
<td>205,174</td>
</tr>
<tr>
<td>Arizona</td>
<td>3,665,228</td>
<td>5,130,632</td>
<td>6,498,569</td>
</tr>
</tbody>
</table>

Source: Office of Employment & Population Statistics, Arizona Department of Administration

Across the U.S.-Mexican border is San Luis Rio Colorado, Sonora with a population well over 200,000. San Luis, Arizona is approximately 70 miles from El Golfo de Santa Clara, Sonora with sandy beaches, fishing, clam digging, and a mild, sunny climate. San Luis, Arizona's population is approximately 32,000 and projected to double in size over the next decade. Today, San Luis is one of Arizona's busiest border crossings in Arizona. Approximately 44,000 people daily come across at San Luis.

The original 13-acre port now referenced as San Luis I was constructed in 1930 to facilitate trade between the U.S. and Mexico. It has been expanded twice and is located at the commercial and business center of the city of San Luis. The port provides daily access to privately operated vehicles via eight general lanes and two SENTRI lanes (between 6 a.m. to 10 p.m. only). Following the relocation of the cargo facility to San Luis II in 2009, the old cargo lanes at San Luis I were converted to two SENTRI. A much larger reconstruction project, involving transformation to a 12-lane facility and potential expansion into the adjacent Friendship Park, is on hold until funding become available.\(^\text{12}\)

The port also processes pedestrians and bicyclists adjacent to the general passenger operating vehicle lanes, via one processing booth with SENTRI capability (4 a.m. to 10 p.m. only). The remainder of the pedestrian processing occurs inside, via two lanes with three stations (in tandem) each. Wait times experienced by agriculture laborers in the early morning hours can be two to three hours long.\(^\text{13}\)

\(^\text{12}\) Arizona-Sonora Border Master Plan; 2013
\(^\text{13}\) Ibid.
The city of San Luis is working with the Arizona Department of Transportation to reconfigure the flow of traffic in the downtown area. Additionally, expansion of the Customs and Border Patrol (CBP) southbound inspection capabilities should be completed in early 2014.

The San Luis II port of entry is a new 80-acre processing facility located approximately five miles east of the original San Luis I port of entry. Commercial vehicles are processed through three primary inspection lanes. One of these lanes is dedicated as a Free And Secure Trade (FAST) lane. This new port was designed to initially process 400 trucks per day with the potential to expand to 650 trucks per day by 2030. San Luis II includes an indoor temperature-controlled (60 degrees F) five-dock space for inspection of temperature-sensitive items or private interdiction activities.14

The city’s industrial base is expanding and the local economy is transitioning from agriculture and food processing to include construction, manufacturing, warehousing, and distribution. Rolle Airfield, located within the city proper and just outside of the inhabited areas, is a privately-owned commercial airport and is a back-up field for touch-and-go training for air operations out of Yuma. San Luis has a lot of developable industrial land, primarily along the border. The privately-operated state prison and detention facility, located just over five miles to the east of the city, provides significant local employment.

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14 U.S. Customs and Border Protection

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<table>
<thead>
<tr>
<th>San Luis Community Asset Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual</strong></td>
</tr>
<tr>
<td>Bilingual Population</td>
</tr>
<tr>
<td>Multi-Generation Families</td>
</tr>
<tr>
<td>Collaborative Cross-Border Relationships</td>
</tr>
<tr>
<td>Young Population</td>
</tr>
<tr>
<td><strong>Associations</strong></td>
</tr>
<tr>
<td>Housing for America</td>
</tr>
<tr>
<td>Greater Yuma Industrial Authority</td>
</tr>
<tr>
<td>Solar Developments</td>
</tr>
<tr>
<td>ACT Call Center</td>
</tr>
<tr>
<td>Eastside Sewer Capacity</td>
</tr>
<tr>
<td>Water Availability and Water Rights</td>
</tr>
<tr>
<td>Empowerment Zone</td>
</tr>
<tr>
<td>Foreign Trade Zone #219</td>
</tr>
<tr>
<td>International Ports of Entry</td>
</tr>
<tr>
<td><strong>Community Resources</strong></td>
</tr>
<tr>
<td>San Luis Detention Facility</td>
</tr>
<tr>
<td>Northern Arizona University</td>
</tr>
<tr>
<td>Over 300 Acres of Industrial Land</td>
</tr>
<tr>
<td>Regional Public Transportation</td>
</tr>
<tr>
<td>Near Yuma International Airport</td>
</tr>
<tr>
<td>Buildable Land</td>
</tr>
<tr>
<td>K-14 Education</td>
</tr>
<tr>
<td>Military Presence</td>
</tr>
<tr>
<td>University of Arizona</td>
</tr>
<tr>
<td>Arizona State Prison</td>
</tr>
<tr>
<td>Arizona Western College</td>
</tr>
<tr>
<td>Western Portion of CANAMEX</td>
</tr>
<tr>
<td>Guaymas Port and Coastal Highway in Mexico</td>
</tr>
<tr>
<td><strong>Natural Resources</strong></td>
</tr>
<tr>
<td>Good Connection to Rocky Point, Mexico</td>
</tr>
<tr>
<td>El Golfo de Santa Clara, Sonora, Mexico</td>
</tr>
<tr>
<td>Advanced Agriculture</td>
</tr>
<tr>
<td>Close to San Diego Attractions</td>
</tr>
<tr>
<td>Parks and Recreation</td>
</tr>
<tr>
<td>Near Yuma Tourist Destinations</td>
</tr>
<tr>
<td>Vast State and Federal Land Holdings</td>
</tr>
</tbody>
</table>
City of Somerton Assets
The city of Somerton is about 12 miles south of Yuma and 180 miles east of San Diego, California, at an elevation of 103 feet. It is an equal distance from the Mexican and Californian borders. Somerton is 192 miles from the Phoenix metropolitan area and 248 miles from Tucson. The city is in the fertile Yuma Valley in southwestern Yuma County.

Table 12:
City of Somerton Population

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2000</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somerton</td>
<td>5,282</td>
<td>7,266</td>
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<td>Arizona</td>
<td>3,665,228</td>
<td>5,130,632</td>
<td>6,498,569</td>
</tr>
</tbody>
</table>

Source: Office of Employment & Population Statistics, Arizona Department of Administration

The city of Somerton’s economy is directly influenced by the U.S.-Mexico border and the community is still culturally and historically tied to Mexico. A large number of residents are still employed in agriculture. Though regional jobs are being created, the unemployment rate in Somerton is approximately 34%.

The Cocopah Nation is a large employer and located adjacent to Somerton. The Nation provides jobs and recreation amenities that residents enjoy. The city of Somerton is committed to long-term sustainability through the development of solar and alternative energy resources.

There have been substantial efforts by the city government to seek out renewable energy generation alternatives, primarily solar, to meet the community’s energy needs. Additionally, Somerton operates a self-sustaining paper and plastic recycling facility, which is now providing recycling services to the city of San Luis.
<table>
<thead>
<tr>
<th>Individual</th>
<th>Collaborative Cross-Border relationships</th>
<th>Committed Staff</th>
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<tr>
<td>Associations</td>
<td>Dedicated Public Officials</td>
<td>Yuma Private Industry Council</td>
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<td></td>
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<td>Small Business Development Center</td>
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<tr>
<td>El Diablito ASU Alumni Chapter</td>
<td>Greater Yuma Economic Development Corporation</td>
<td>Western Arizona Economic Development District</td>
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<td>Housing for America</td>
<td>Comité de Bienestar</td>
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<td>Somerton Chamber of Commerce</td>
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<tr>
<td>Community Resources</td>
<td>Solar Projects</td>
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<tr>
<td>Own Water Rights</td>
<td>Light Industrial Park</td>
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<tr>
<td>Sunset Community Health Center</td>
<td>City-Owned 10,000 Square-Foot Building</td>
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<tr>
<td>Regional Center for Border Health</td>
<td>Main Street Commercial District</td>
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<tr>
<td>City Incentives for Downtown</td>
<td>Citywide Recycling</td>
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<td>Arizona Western College</td>
<td>Festivals</td>
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<td>Military Presence</td>
<td>Near Yuma International Airport</td>
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<td></td>
<td>Private Airport</td>
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<td></td>
<td>Foreign Trade Zone #219</td>
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<td>Cocopah Nation Entertainment, Lodging and Cultural Attractions</td>
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<td>Natural Resources</td>
<td>Parks and Recreation</td>
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<td>Near Yuma Tourist Destinations</td>
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<td>Somerton Heritage Pool</td>
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<tr>
<td>Cocopah Rio Colorado Golf Course</td>
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<td></td>
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<tr>
<td>Advanced Agriculture</td>
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</table>
City of Yuma Assets

The city of Yuma is the county seat for Yuma County and is situated along the Colorado River that borders Arizona and California. Like all of Arizona’s border communities, Yuma is strategically located to serve a large market (i.e., within a 300-mile radius from 50 million consumers). Yuma’s advantageous position of being located in close proximity to the Mexican border also makes binational commerce an efficient option for twin plant and maquila operations. Key industries for Yuma include manufacturing, agriculture, renewable energy, government/defense, and tourism.

Table 13: City of Yuma Population

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2000</th>
<th>2012</th>
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<tbody>
<tr>
<td>Yuma</td>
<td>56,955</td>
<td>77,515</td>
<td>94,824</td>
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<td>Yuma County</td>
<td>106,895</td>
<td>160,026</td>
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<tr>
<td>Arizona</td>
<td>3,665,228</td>
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</tr>
</tbody>
</table>

Source: Office of Employment & Population Statistics, Arizona Department of Administration

Yuma International Airport provides ten commercial flights per day to and from Phoenix Sky Harbor Airport and ten commercial flights per day to and from Los Angeles International Airport. Yuma has an Foreign Trade Zone and there is considerable industrial land available around the airport. For example, Johnson Controls (manufacturer of batteries) has 225 employees and takes advantage of the Zone’s incentives.

Historically, Yuma has had a large military presence and the defense industry continues to provide a large number of quality jobs in the region. Government is still the largest employer and agriculture continues to be a major economic driver. Agribusiness contributes an estimated $3.1 billion yearly to the area economy. Value-added crops have been introduced into the region with the packaging of produce and fruits for individual consumption as well as mass production.

All three state universities – Northern Arizona University, University of Arizona, and Arizona State University – have a presence in Yuma. Arizona Western College is an economic development partner creating training support for new and expanding businesses.

The Colorado River has become a major attraction for visitors and a community amenity. Yuma has abundant natural, recreational, and historic destinations, activities, and facilities. Healthcare is expanding within Yuma. For instance, a recent partnership between the Mayo Clinic and Yuma Regional Medical Center will enhance the treatment of many cancers.
## Yuma Community Asset Inventory

### Individual
- UAS Experts
- International Business Experts
- High-Tech Agriculture Experts

### Associations
- Yuma Chamber of Commerce
- Yuma’s Visitors Bureau
- Yuma Community Foundation
- Yuma Private Industry Council
- Small Business Development Center
- Greater Yuma Economic Development Corporation
- Western Arizona Economic Development District
- Yuma Manufacturer’s Association

### Community Resources
- Solar Array of 5 Mega Watts
- Yuma Regional Medical Center
- Mayo Clinic
- Aerospace Industry
- 4,000 Hotel Rooms
- Water Rights Protected
- Maquiladoras
- Young, Skilled Work Force
- Active Community-Based Groups
- Arizona Western College
- Ready Now Yuma
- Foreign Trade Zone #219
- 100-acre Defense Contractor Complex
- Marine Corp Air Station
- NASA Orion Space Capsule Testing
- Medical Tourism
- AMTRAK
- Universities
- UAS
- Near Deep-Water Ports
- City-Owned Industrial Land
- Union Pacific
- Yuma Proving Grounds
- CANAMEX Corridor Entry Point
- Yuma International Airport
- Logistics Supply Chain Management Program
- Institute of Welding Program

### Natural Resources
- Quechan Tribe Casino, Resort and Museum
- Cocopah Nation Recreational Facilities
- Yuma River Tours and Tubing
- Colorado River National Heritage Area
- Yuma Conservation Garden
- Farmers Market
- Moody Demonstration Garden
- National Wildlife Refuges
- Golf Courses
- Parks and Recreation
- Yuma Quartermaster Depot
- Yuma Territorial Prison State Historical Park
- Specialty Crop Expansion
- Advanced Agriculture and Agribusiness
- Historic Downtown Yuma
- Birding
- Southern California Activities
- Agritourism
- Hiking
- Revitalization of Colorado River Wetlands
- Imperial Sand Dunes National Recreation Area (California)
- Yuma River Walk
Game Changer #2: Form New Strategic Alliances

One of the most evident lessons from the visits to Arizona border communities and communities elsewhere is that strategic alliances among key private and public stakeholders create a can-do attitude and provide focus to the aggregate efforts to promote economic growth. In some cases, the alliances relied on local stakeholders while in others, participation included officials from city, county, and state government as well as private-sector leaders from various fields, including logistics and transportation services, banking and finance, law, accounting, and real estate development.

One unique alliance example was in the El Paso/Ciudad Juarez area, where an alliance brought representatives from three cities (El Paso, Ciudad Juarez, and Santa Teresa15) and three states (Texas, New Mexico, and Chihuahua) to work cohesively as one region. The newly formed Borderplex Alliance is 100% privately funded and merged the Regional Economic Development Corporation (REDCO) and a think tank called Paso Del Norte Group. In addition, the city of El Paso has an economic development department. The two organizations work together on specific initiatives. The tri-state binational region is viewed as one economy that is dependent upon both cities thriving. Billboards announce “One Region, Two Mayors” describing this unique economic connection. The Alliance focuses on business recruitment and advocacy.

Another example of a regional alliance structure is the McAllen Economic Development Corporation (MEDC), which was formed about 25 years ago. Hidalgo County had a population at that time of 340,000. Just before its creation, the McAllen economy was hit hard by a number of setbacks – a severe freeze that destroyed area citrus and agriculture, a deep devaluation of the Mexican peso, the savings and loan scandal that hit various parts of Texas, and an unemployment rate that reached 28% in McAllen and over 60% in the county. Also, at the time, 50% of residents did not have a high school diploma or a General Education Degree (GED), there was not a community college or university in the region, and no commercial air service was available. Community leaders asked themselves “Why would anyone want to locate in McAllen?” The only answer was Reynosa, Mexico, which at the time had 17 maquiladoras. The MEDC convinced city leaders to allow funding for three years to recruit businesses to locate in Reynosa, knowing that the spillover effect would be positive for McAllen. The MEDC went on recruiting trips all over the world and worked with local developers in Mexico to build high-tech manufacturing operations. The gamble paid off and a considerable number of companies located in Reynosa and supply chain companies located in McAllen. About an equal number of businesses located in each community, but the largest number of jobs created were in Mexico. Today the McAllen region has over 800,000 residents, several advanced educational facilities, and a full-service commercial airport, and is considered the regional hub of a wide swath of southern Texas and northeastern Mexico.

Recognizing the importance of the Arizona-Mexico relationship, in 2006-2007 Arizona conducted an initial assessment of the port of entry system and created Vision 2015, an effort that would double the throughput for inspection at the ports of entry with Mexico. Since then, projects totaling more than $450 million have been completed or about

Arizona border communities must develop and nurture public/private strategic alliances to sustain economic development efforts.

15 Note: Santa Teresa is still an unincorporated area but will be referred to as a city for illustrative purposes in this document.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

to be completed and have added more than 20 primary lanes for pedestrians, cars, and trucks, reaching the established goals two years ahead of schedule. But the work is not complete. There are still a number of projects that need to be completed and others that are still in the design phase - but all will play a critical role in continuing the efforts to make the Arizona port of entry system among the most effective and efficient in the entire U.S. border with Mexico and Canada.

In a collaborative multi-year effort that has included all levels of government and the private sector, Arizona has maximized relationships to accomplish many important projects. The secret to the success has been collaboration. Here are examples of the most notable projects that have taken place since 2006:

$225+ million for the modernization of the Mariposa Port of Entry, a project that will more than double if not triple the throughput for inspection for both commercial and non-commercial traffic.

Project is $20+ million in road improvements on SR-189 connecting the Mariposa Port of Entry with I-19.
Project includes road improvements to SR 189 to improve entry and egress to and from Mariposa Port of Entry.

Project costs $2.5 million to add two more primary lanes at Lukeville Port of Entry.

Two additional lanes at Lukeville

Rendering Reconfigured Mariposa POE
$2 million project to modernize the Morley Gate pedestrian port of entry at Nogales.

$2.5 million expansion and modernization project of the Morley Gate pedestrian crossing at Nogales.

$42 million cost for the San Luis II Port of Entry (U.S. and Mexican ports along with ADOT/FMCSA compound).

- $92 million for the Robert A. Vaughn Expressway connecting San Luis II with I-8
- $11 million for the San Luis II ADOT/FMCSA Inspection Station
- $2.5 million for 2 new lanes at San Luis I

San Luis I project for one additional lane.

$35,000 cost for the signage project for the SENTRI and READY lanes at the Douglas Port of Entry.
SENTRI/READY Lanes from Agua Prieta into Douglas.

Looking ahead and in a coordinated effort with the state of Sonora, the Arizona Department of Transportation has recently concluded the Arizona-Sonora Border Master Plan (BMP), which maps out the port of entry and related transportation projects on both sides of the border for the next 30 years. The BMP provides a detailed listing of 160 projects, project cost estimates, and priority ranking related to evaluation criteria developed by the technical and policy oversight working groups. (www.azdot.gov/azborderplan)

Border Region Comprehensive Collaborations

Pulling together as a comprehensive border region has proven to be a success factor for long-term sustainability. Businesses may be physically located in one area but serve markets that cross multiple domestic or international boundaries.

An example of border region collaboration that Arizona communities can learn from is in the lower area of Rio Grande Valley in Texas. In the area from Del Rio to Brownsville, communities have agreed to focus economic development efforts on advanced manufacturing. All of the higher educational institutions formed an educational alliance to develop a curriculum for pre-kindergarten to university-level to support this initiative. Besides the focus on advanced manufacturing, each city has developed specialized target areas of expertise, which are shared as needed across the region.
Linkages between Border Region and Urban Areas

Unlike California and Texas, which have large border cities such as San Diego and El Paso, Arizona’s border communities are relatively small. There is potential strength in broadening the border region’s collaboration with communities that are not immediately adjacent to the border, such as the City of Tucson and Pima County. Organizations such as the Tucson Regional Economic Opportunities Inc. (TREO), University of Arizona Tech Park, Greater Tucson Chamber of Commerce, Tucson Hispanic Chamber of Commerce, City of Tucson, and Visit Tucson are all possible partners that can provide the border communities with enhanced economic development opportunities.

All of these entities promote the greater Tucson area’s strategic proximity to Mexico as a key economic advantage. Collaborating on marketing efforts to attract or assist in the expansion of targeted businesses that have a link to Mexico can be mutually beneficial to southern Arizona, surrounding communities, and Arizona as a whole.

Strengthening the connection between border communities in Cochise County and Sierra Vista/Fort Huachuca could be beneficial. Cochise County has a large foreign trade zone that includes both Sierra Vista and Douglas, which can provide significant tax advantages to companies in the border region engaging in cross-border business. Sierra Vista is also home to Fort Huachuca, which has a number of advanced technologies being developed by the military, including one of the world’s largest Unmanned Aircraft System (UAS) training centers. Leveraging the resources and capabilities of Fort Huachuca and other related facilities throughout the state, Arizona has submitted a proposal to the Federal Aviation Administration (FAA) to become one of six test ranges for development of unmanned aircraft. In the proposal, the Arizona Commerce Authority has identified various areas near the Arizona-Mexico border as potential sites to serve as test ranges, including Yuma, Benson, and Safford. A designation by the FAA is expected to present unique opportunities for growth in the emerging field of unmanned aircraft systems, a field which promises investments in research and development, manufacturing, testing, and deployment.

Capitalize on University of Arizona Resources

The University of Arizona is one of southern Arizona’s most important assets for economic development. The university has historically focused on supporting economic development activities throughout southern Arizona and specifically along the border region. The University has a strong mission of teaching, research, and public service with a world-class faculty with has dedicated resources along the border region providing education, research, and outreach in a variety of arenas, including high-tech agriculture and solar energy. The Border Technology and Evaluation Center (Border TEC) located at the University of Arizona Tech Park is dedicated to testing and evaluating new border technologies – innovations to enhance security and support the free flow of trade. Building on and strengthening the relationship between the university and border region economic development activities will be mutually beneficial. Additionally, the Economic and Business Research Center has a border economy program and is a valuable resource for border communities.

Collaboration with State and Federal Agencies

Border communities individually have done a good job in harnessing resources to support infrastructure
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

development. However, working collaboratively to foster state and federal relations both at the agency and elected official level has not always been the case. There is an agreement about the importance of communicating a consistent message about economic development and maximizing Arizona’s strategic location adjacent to Mexico. Existing relationships focus primarily on those agencies that develop and staff the land ports of entry and adjacent infrastructure, such as the Federal Highway Administration (FHWA), U.S. Customs and Border Protection (CBP), and the General Services Administration (GSA). These agencies are vital to border communities and the relationships need to be constantly nurtured and strengthened, particularly in a time of declining budgets. The U.S. Departments of Commerce and Energy and the Federal Reserve Bank might be new federal partners that can help border communities focus on economic development and emerging industries and broaden the communities beyond just border crossings.

Recognition of the importance of Mexico as a trade partner and the roles Arizona’s border communities play will help to marshal needed resources to maximize economic opportunities. The border communities need to band together with nearby communities like Tucson and Sierra Vista, and with business and elected leaders in the Phoenix area to consistently take the message to the congressional delegation and to state legislators. The four state agencies involved in the development of the Roadmap can be important partners for border community leaders in this effort.

Among the many entities and resources available throughout the state there are four that have come together on many fronts in order to advance the state’s efforts to foster sustainable growth, job creation, and promote smart infrastructure investments. The Arizona-Mexico Commission, Arizona Department of Transportation, Arizona Commerce Authority, and Arizona Office of Tourism are currently collaborating on many projects of mutual concern. Following is a list of state agencies that have a vested interest in Arizona’s relationship with Mexico and border communities and through collaboration can foster stronger relationships.

Department of Agriculture
Arizona Department of Agriculture works with individuals, institutions, and companies engaged in the business of supplying and processing agricultural and livestock products and commodities, and individuals involved in buying, selling, and services to the agribusiness industry on both sides of the border. The department is also involved in the creation of cross-border programs aimed at protecting wildlife as well as increasing food safety while increasing trade.

Arizona Commission on the Arts
Arizona Commission on the Arts collaborates with the Instituto Sonorense de Cultura in the development, promotion, and exchange of arts and cultural activities, as well as other disciplines relating to art and culture in the Arizona-Sonora region.

Arizona Commerce Authority
Arizona Commerce Authority drives regional initiatives such as the regional aerospace economic development strategy through three major components: promotion, workforce or human capital, and supply chain. The Arizona Commerce Authority and Arizona-Mexico Commission oversees the Arizona Trade Office and representation in Sonora, where it promotes Arizona in Mexico, attracting investment, and searching for business opportunities in the manufacturing and supply chain industry in Sonora for Arizona companies.
Arizona Department of Education
The Arizona Department of Education works in collaboration with the Sonora Secretariat of Public Education and Culture on cross-border educational issues. Jointly, both agencies have developed strategies and partnerships in foreign language instruction and school safety programs. Both states have student assessment programs and implement proven effective strategies. A joint effort by both agencies has produced electronic student records exchange system between the states that replaces the old paper process. This new process will expedite the enrollment of students returning from Arizona to Sonora schools. It will also reduce the dropout rate of these students. The Arizona Department of Education has facilitated communication between institutions of higher learning in Arizona and Sonora to develop partnerships, student and teacher exchanges, reciprocity of studies, and dual certification of professions in Architecture.

Arizona Division of Emergency Management
The Arizona Division of Emergency Management coordinates cross-border efforts in preventing and responding to emergencies, particularly as they occur on the border between the two countries.

Governor’s Office of Energy Policy
The Arizona Governor’s Office of Energy Policy pursues energy management planning in the Arizona-Sonora region that emphasizes collaboration on mutual beneficial programs for the advancement of economic, social, and environment.

Arizona Department of Environmental Quality
The mission of the Arizona Department of Environmental Quality is to protect and enhance public health and the environment. The agency coordinates with the state of Sonora Ecology and Sustainable Development Commission to promote environmental improvement and infrastructure projects while also considering the Arizona-Sonora region economic vitality. The two departments collaborate with a variety of public and private sector partners to facilitate planning and implementation of efforts that enhance the region’s sustainability and quality of life.

Arizona Department of Water Resources
The Arizona Department of Water Resources is engaged in water resource management in the Arizona-Sonora region focused on facilitation and development of constructive solutions to shared water supply issues. These efforts emphasize collaboration on programs for the advancement and dissemination of scientific and programmatic knowledge and fostering economic, social, and environmental benefits of both states.

Arizona Department of Health Services
The Arizona Department of Health Services, in collaboration with Sonora’s Secretaria de Salud, works with individuals, institutions, and companies including hospitals and other care providers involved in the provision of public and private health care services, medical research and development, sale and distribution of medical equipment, emergency services, other private and public health care activities, sales and development of medical devices.
and materials, and related infrastructure matters that benefit Arizona-Sonora region residents.

**Arizona Department of Real Estate**
The Arizona Department of Real Estate work with individuals and organizations in the dissemination of information as it pertains to cross-border real estate transactions. By working with real estate professionals on both sides of the border, the department provides the public with information on real estate regulations and policy that affect any transactions regarding real property in both Arizona and Mexico.

**Arizona Department of Homeland Security**
The Arizona Department of Homeland Security collaborates on key security issues such as information sharing, technology, and personnel with the common goal of preparedness, security, and the smooth and continued flow of goods, services and people. The department participates in coordinated binational security forums and law enforcement training to prevent terrorist attacks while maintaining a health, mutually-beneficial Arizona-Sonora regional economy.

**Game Changer #3: Harness Mexican Economic Shifts**
The U.S. economy is continuing to come out of the worst recession in decades and Arizona is recovering more quickly than originally projected. Mexico is also experiencing relatively strong economic recovery, particularly in the manufacturing sector. According to The World Bank, “Mexico, the second largest economy in Latin America, has remained resilient to the U.S. slowdown and financial turmoil from Europe.” The administration of Enrique Peña Nieto, who came into office in December 2012, has stated its focus on strengthening Mexico’s economic competitiveness.

**Arizona Department of Public Safety**
The Arizona Department of Public Safety collaborates on key security issues such as information sharing, technology, and personnel with the common goal of preparedness, security and the smooth and continued flow of goods, services, and people.

**Arizona Office of Tourism**
The Arizona Office of Tourism works collaboratively with individuals, institutions, and companies, convention and visitors bureaus, related services (such as caterers), transportation providers, airlines, tourism infrastructure, tourism property development, travel agents, and individuals involved in the buying, selling, and services to the Arizona-Sonora tourism industry.

**Arizona Department of Transportation**
The Arizona Department of Transportation works collaboratively with officials in Sonora and the Mexican federal government in the development of binational transportation infrastructure for the increased efficiency in cross-border flow of goods and people. Working together to prioritize and develop projects has enabled the department to plan and budget border projects in the most effective way to benefit trade and commerce.
all of North America as the combined competitive advantages offered by Canada, the U.S. and Mexico allow North America to be more competitive in relationship to the rest of the world. In particular, the automotive, aerospace, and electronics sectors, among others, are seeing renewed investment and growth. Arizona companies, given their strategic location, proximity to Mexico, and high rates of productivity, are ideally positioned to take advantage of this growth.

Emerging Mexican Middle Class
When the middle class grows and the Mexican economy expands, U.S. border states like Arizona reap the benefit through tourism, retail trade, and increased investments. It is estimated that in Arizona’s border communities as much as 57% of total Mexican spending in Arizona comes from retail establishments, which is equivalent to approximately $1.5 billion. Shopping is increasingly more prevalent for southern Arizona; most retailers in the border communities have geared many of their promotional and marketing efforts to the Mexican visitor. However, one of the best ways to incentivize cross-border tourism is to work to reduce the time it takes to cross the border. It is the investment in the inspection infrastructure, deployment of technology, allocation of sufficient staffing, and greater cross-border coordination with Mexico that can have the greatest impact on border wait times.

Tucson and Phoenix also benefit from Mexican shoppers and tourists. Mexican visitors are being drawn to Arizona resorts, nightlife, sports, entertainment, dining, and gaming, as well as shopping. In Texas, per capita income has increased tremendously as a result of Mexican spending and investments. For instance, McAllen, Texas, has become a trade destination for Monterrey, Mexico, home to 5 million people less than two hours away by highway. Recent studies have shown that a large percentage of McAllen’s sales tax revenues are generated by Mexican visitors using Visa cards.

Nearshoring and Reshoring
Starting in the mid-1960, U.S. companies began operating manufacturing facilities in Mexico under the maquiladora program. This program allows for products to be imported from and re-exported to the U.S. duty free, with duties applied only on the value-added production in Mexico. This trend shifted dramatically in the 1990s as manufacturing looked to Asia in search of lower labor costs. But in recent years, that trend has been reversing with companies looking to Mexico and other parts of Latin America as a manufacturing alternative. China operations have been facing rising trans-Pacific shipping costs, continuing concerns over quality control, rising costs of labor, and issues with the protection of intellectual property rights.

Mexico’s proximity to the U.S. market and the U.S. parent company, the ease of access, similar time zones, a growing, highly-skilled workforce, large number of English speakers, and the constant effort to improve cross-border logistics makes manufacturing in Mexico an attractive alternative to China and other Asian locations. From a border state perspective, one of the biggest advantages of the reshoring and nearshoring trends is that if the operations go to China or Asia, very little of the money spent or invested there comes back to the U.S. However, for operations in Mexico, particularly those in border states like Sonora, a very large portion of every dollar spent returns to Arizona and the U.S. – some estimates are that as much as 40%

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16 2007-2008 Mexican Visitors to Arizona; University of Arizona
of every dollar spent in manufacturing operations near the U.S.-Mexico border returns to the U.S.

In addition, Arizona and U.S. companies have a higher probability of becoming part of the supply chain for those operations if the manufacturing is located in Mexico versus Asia. Of particular interest to Arizona, aerospace is growing in Sonora – up to 50 companies from 20 companies four years ago. The automotive industry has also been very strong for the past ten years.

To illustrate the importance of a binational economic development approach, Reynosa, Tamaulipas, Mexico has 75,726 employees as of August 2013 in the maquiladora industry.  

A lot of this success is in part the result of the McAllen Economic Development Corporation business recruiting efforts. Perhaps more significant is that over 120,000 people are employed in manufacturing in Reynosa and another 30,000 in McAllen, and McAllen has become a supplier hub for the maquilas operating in Reynosa. According to the Federal Reserve Bank of Dallas – El Paso Branch, Texas border cities continue to respond to Mexico’s industrial growth. For example, it is estimated that for every 10% increase in production in Ciudad Juarez, El Paso employment grows by 3%. 

### Expanding Economic Drivers/Industry Clusters

Mexico is experiencing growth in high technology, automotive, and aerospace as well as traditional industry clusters such as mining and agriculture. Nearly 40% of all of the winter produce consumed in the U.S. comes through the Nogales port of entry, but other commodities, such as manufactured goods and minerals, also come through Arizona’s land ports of entry. Arizona and Mexico have complementary economic drivers such as aerospace and defense, high technology/semiconductors, agriculture and agribusiness, and mining. Relationships between the two states in traditional industry go back many decades, but need to be continuously updated and invigorated to adjust to changing economic conditions. Critically, further development of a strong supply chain to support Mexico’s high-tech and manufacturing industry clusters could help Arizona continue to realize the value-added benefits.

Many regions of the U.S.-Mexico border have highly integrated supply chains in the automotive, electronics, and aeronautic industries. Identifying ways for Arizona’s border communities to play a larger role in supply chain business attraction will produce economic returns for the region and state and will help border communities keep pace with the changing economy. This trend is highly dependent on coordinating economic development and business strategies, and on maintaining a just-in-time business environment and efficient border operations.

The maquiladora sector in Mexico is of great importance to Arizona and its border communities. To illustrate this importance, a recently completed study for the Nogales/Santa Cruz County area indicted that “For every 100 jobs in maquiladora export-related sector an additional 56 jobs are generated in the local economy through ripple effects; every one dollar in direct wages earned in export-related activities and spent locally generates an additional $0.48 in wages, while every one dollar in output (sales) generates an additional $0.47 in additional output in local economy.” As a result, jobs created on the Mexican side of the border will have a positive impact on U.S. job creation.

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17 National Council of the Maquila Industry of Mexico (CNIMME)
18 McAllen, Texas Economic Development Corporation; 2013
20 Fresh Produce and Production-Sharing: Foundations and Opportunities; UA; June 2013
**Major Investment in Mexican Assets**

Recognizing the close connection between economic development and infrastructure, Mexico’s President, Enrique Peña Nieto, and his administration recently announced a $315 billion infrastructure investment program to be implemented over the next six years. The plan includes major improvements to transportation (highways, bridges, roads, ports, rail, and airports), telecommunications (closing the digital gap), water, and energy. Arizona’s understanding of the targeted infrastructure projects, how the projects will be financed, and how the plan will be implemented will enable the state to time its own investments in a complementary manner and be aware of emerging opportunities or threats that may arise from changes in existing transportation and logistics patterns.

**Game Changer #4: Leverage Key Commerce Corridors for Market Connectivity**

Access to an efficient multimodal transportation corridor can be a catalyst for regional economic development by providing enhanced opportunities for the movement of people and products to a variety of markets. Corridors, particularly those with multimodal transportation options, provide connectivity that enables communities to access the world.

Texas recently completed a 20-year quest with the designation of an extension of Interstate 69 (I-69) that improves the connection of Texas with northeastern Mexico. The corridor is one of the country’s busiest freight routes and represents statewide economic development opportunities. Texas’ business and political leaders statewide rallied to get the interstate developed because of the opportunity to improve the economy through tourism, border retail, quality-of-life improvements, and business development. The 1,000 miles of existing highways in Texas that make up the I-69 corridor connect to the deepwater ports at Houston, Beaumont, Freeport, Point Comfort, Corpus Christi, and Brownsville. The goal was not just about facilitating freight movement, but about completing a multimodal, connected transportation system – highways, ports, waterways, and truck-rail terminals – to support the state’s economy.

**Arizona Sun Corridor**

The Arizona Sun Corridor, which encompasses both Phoenix and Tucson, is one of the 12 mega-regions in the U.S. identified by the Brookings Institute as a demographic and economic engine for the future. The corridor includes the majority of the state’s economic assets. The Sun Corridor’s projected population is anticipated to be 12 million people by 2050. The Maricopa, Pima, and Central Arizona Associations of Governments have initiated joint planning efforts. The border region’s economic planning may be enhanced by strengthening the connections to the Sun Corridor planning efforts. As the Sun Corridor grows and becomes recognized as a mega-region, the border may see enhanced opportunities arising from the proximity to such a large market with so many resources.

**CANAMEX/Interstate 11 and Intermountain West Corridor**

The CANAMEX Corridor was defined and designated as part of the National Highway Systems Designation Act of 1995 as a high-priority route connecting Mexico to Canada. With Mexico and Canada as Arizona’s first and second trade partners, respectively, connecting the two countries with a transportation corridor could offer economic opportunities. The opportunity to link...
Arizona’s Mexico border crossings to enhanced north-south and east-west linkages throughout the intermountain west has been at the heart of the CANAMEX Corridor.

An update to the concept of CANAMEX is currently underway. The Arizona and Nevada Departments of Transportation are working together on the two-year Interstate 11 (I-11) and Intermountain West Corridor Study. Congress designated the portion of the Corridor between Phoenix and Las Vegas as future I-11 in the 2012 transportation authorization bill known as MAP-21. The study includes detailed corridor planning of a possible high-priority interstate link between Phoenix and Las Vegas, and high-level visioning for potentially extending the corridor north to Canada and south to Mexico.

Arizona is strategically located on one of the nation’s most important east-west corridors, Interstate 10, and connected to two global mega-markets in Southern California and the Dallas-Houston corridor in Texas. The east-west and north-south connections provide a new platform for Arizona’s trade and economic development.

**Game Changer #5:**
**Support Emerging Business Development Opportunities**

Border communities have strategic assets that can encourage new investment and business development. From the border’s strategic location to a global market to the extensive international business expertise of local businesses, Arizona’s border communities can play an important role in the state’s economic development positioning.

**Strategic Location**

The communities along the Arizona-Mexico border are strategically positioned for binational economic growth and development and serve as a market entry point to the U.S. Southwest region. The large binational market provides a unique and potentially robust ability for these communities to stimulate growth in retail, manufacturing, healthcare, education, and tourism sectors.

Arizona’s proximity to Mexico and California, the world’s 14th- and 9th-largest markets, respectively, puts the area within a day’s truck haul to a significant consumer base. The Port of Long Beach is less than 250 miles and the Port of Guaymas is approximately 174 miles from Yuma. San Luis and Somerton also take advantage of this proximity to California markets.

Arizona’s ports of entry offer access to Mexico’s Pacific Coast Corridor and connect the border with major consumer markets in Arizona and Southern California. Markets transcend state and national boundaries, making this strategic location critical for Arizona’s economic development efforts to examine and address the binational development opportunities.

Coupled with border communities’ strategic location, there is direct highway access serving most of Arizona’s border communities. Interstate 8, Highway
95, and SR-195 are critical transportation corridors in Yuma County. With the development of SR-195, San Luis is directly connected to Interstate 8. Interstate 19 is a critical connection for Nogales, moving traffic through the Mariposa port of entry primarily using SR-189/Mariposa Road to all points north. However, east-west transportation connections along the U.S.-Arizona border are not as well developed as in other border states such as Texas.

Tourism is an important economic driver for the Arizona-Mexico border communities. As an export-oriented industry, tourism brings dollars to the local area from other regions thereby generating sales, jobs, income, and tax revenue. While tourism directly impacts all 15 Arizona counties, travel employment is more significant in rural areas, including the border region.

The Douglas area attracts visitors to several nationally-registered historic landmarks. Nogales and Santa Cruz County have rich historical assets (buildings, sites, and ranches) as well as natural scenery and riparian areas along the Santa Cruz River, which drive the local tourism industry. Outdoor recreational amenities such as hiking, biking, and birding also attract local and international visitors. Nogales has an opportunity to increase visitation by partnering with regional tourism attractions in Santa Cruz County and by working with Nogales, Sonora to leverage visitation for Ambos Nogales.

Native American reservations have become entertainment hubs in southern Arizona. For instance, the Cocopah Nation, located adjacent to Somerton, has become an entertainment destination. The Nation has seven different entertainment, lodging, and cultural attractions that draw tourists to the community. The Cocopah Rio Colorado Golf Course in Somerton also has 12 undeveloped acres surrounding the course that could be developed for a second RV resort.

The Colorado River has become a major attraction for visitors and a community amenity with the natural and historical preservation activities that have occurred in Yuma. With the designation of the National Heritage Area and the redevelopment of the historic buildings, Yuma has become a visitor destination. The revitalization of the wetlands along the river and the development of bike/walking pathways provide an attractive community amenity.

**Human Capital and Skills**

Both access to and quality of education in Arizona’s border communities are critical to economic development. Many of the state’s colleges and all three state universities have a presence in border communities at various levels.

In order to increase educational attainment and opportunities for the residents of the region, the Santa Cruz Provisional College District, which was approved by voters in 2010, has enabled expansion of community college offerings in Santa Cruz County, including professional industry-based training programs. In addition, the University of Arizona (Santa Cruz County) has offered four year degrees in Nogales since 2008. As an example of the collaborative efforts that exist between local community stakeholders and the state universities, Nogales Community Development contracts with these and other partners to offer professional industry-based training programs such as warehousing skills training, accounting, entrepreneurial skills development, and business English. Nogales Community Development also offers one-on-one and group business training and loan preparation/loan assistance services.
Cochise College is a two-year community college with a campus in Douglas that also houses the small business development center (SBDC).

Arizona Western College is located in Yuma with a branch in San Luis SBDC also sponsors workshops and seminars specifically tailored for small business owners and provides free one-on-one counseling on small business topics.

The University of Arizona has official branch campuses at Cochise College-Douglas as well as in Yuma County. The university offers upper-division courses for students to complete undergraduate degree programs at its satellite campuses in addition to programs offered through partnerships with Cochise College and other Arizona community colleges. Graduate degrees are also offered in select disciplines.

The Yuma Private Industry Council (YPIC) is able to offer employers paid training for Yuma County businesses. Additionally, YPIC can offer 100% paid instruction to equip the businesses’ employees with additional knowledge and skills and prepare the employee for higher compensation after the training. YPIC was recently awarded a Community-Based Job Training Grant to address the rapid growth in freight activity and domestic and foreign trade. The grant provides four major incentives to employers:

- Commercial driver license certification training for truck drivers with all costs covered by the grant once training is completed.
- Forklift training for any employees with costs covered by the grant.
- Logistics and supply chain management training.
- Two-year associates degree offered by Arizona Western College – Yuma for all tuition fees and book costs covered by the grant.

Arizona’s state universities have a growing presence in Yuma. The University of Arizona is working closely with the agricultural industry to develop food safety technology. Arizona Western College is a collaborative partner on regional economic development efforts designed to meet specific industry needs.

The Institute of Welding at Arizona Western College, a member of the American Welding Society and Society of Manufacturing Engineers, is housed in a 15,000-square foot facility on the campus and is an example of an educational vocational program that is tailored to the needs of industry. It utilizes state-of-the-art technology for most advanced forms of welding. The Institute specializes in tailoring applied programs to meet local industry needs.

Additionally, Arizona Western College offers logistics and distribution education. Students can earn an Associate of Applied Science degree in Logistics Supply Chain Management that provides an understanding of the fundamental principles of logistics and business as well as a working knowledge of inventory control, transportation, and warehouse management. Logistics (Basic and Advanced) Certificates are available for students seeking a vocational degree in a variety of logistics disciplines along with complementary business and general education courses.

Yuma has a significant military presence and the defense industry continues to provide a large number of quality jobs in the region. In another example of the local partnerships that can be established with federal agencies, the Yuma International Airport has developed 100 acres for its Defense Contractor Complex that supports all aviation activity taking place on the Department of Defense ranges and facilities. An additional 240 acres are planned for expansion as part of a $1 billion infrastructure investment by the Marine Corps Air Station to support the first Department of Defense F-35 Squadron. Over time, many more defense
contractors are anticipated to gravitate toward this region to capitalize on this growing critical mass of aerospace and defense industry.

Advanced technology will play a major role in the partnership between the Mayo Clinic and Yuma Regional Medical Center. The medical center recently began their first intern program for family practice medicine; these students began taking classes in fall 2013. The Yuma Regional Hospital has invested over $1 billion in the past five years and is undertaking a four-year construction project to expand the emergency department as well as the new cancer center referenced earlier. Recent construction brought the new state-of-the-art heart institute online along with the very first hybrid operating room in the state of Arizona. A hybrid operating room is one that is equipped with a sophisticated imaging system that allows physicians to perform minimally invasive cardiac and vascular procedures with greater precision, which reduces recovery time and results in better outcomes.

**Innovation and Knowledge**

Border communities have significant international trade and commerce expertise and knowledge that can be tapped to assist other businesses embarking on global business development. Many of the successful border area companies have been active in the global marketplace for decades and this expertise is a tremendous resource to Arizona businesses exploring export opportunities and other types of international expansion. Additionally, the region has expertise and experience in aerospace and avionics, with the presence of a supplier base for these sectors in key border areas.

The Nogales Community Development organization submitted a grant in August 2013 to the U.S. Housing and Urban Development Department to develop a collaborative co-working space with a technology laboratory. This space will allow the deployment of specialized training and loan services. Nogales Community Development will evaluate the impact of the center in terms of local job creation and expansion that will serve the binational supply chain needs of the fresh produce industry and manufacturing/manufacturing services sector.

Solar energy and technology is a growing focus for Yuma County. Arizona Western College operates a solar array of 5 megawatts. The array is also utilized for research and development along with curriculum development for maintenance and installation of solar technology. Companies from around the world utilize the demonstration field to test their technology against the five proven technologies deployed on campus.

Cochise College has a fast-growing program for pilot training. Favorable weather and visibility in the area allows for year-round training on the runway located on campus. Upon graduation, students are fully certified pilots. The long and established military presence in Yuma County and Fort Huachuca has and will continue to attract other industries to border communities. The technological innovation, presence of a highly skilled labor force, and broad-based intellectual capacity associated with this type of military footprint could be beneficial for economic growth. Many defense contractors will continue to take advantage of the assets developed within the defense contractor complex at the Yuma International Airport.

Unmanned aircraft systems can provide economic opportunities in precision agriculture and a multitude of other private sector applications. The Federal Aviation Administration (FAA) has been directed by Congress to develop regulations governing unmanned aircraft systems use by the fall of 2015. Arizona has submitted a proposal to serve as one of the six test sites receiving national designations. Within Arizona, Yuma, Benson/Safford, and Prescott were identified as...
the proposed rural test ranges. It is anticipated that a decision will be made by the end of 2013. Additionally, Cochise College in Douglas currently offers one of the world’s largest unmanned aircraft system instruction and training programs, notably for military personnel at Fort Huachuca. Rolle Airfield in San Luis is being developed to support local unmanned aircraft systems training through a collaborative partnership with the University of Arizona and local communities. Landing the unmanned aircraft systems test site designation in Arizona and particularly in Yuma County would create new employment and business development opportunities region-wide.

NASA is conducting their testing of the Orion Space Capsule at Yuma Proving Ground (YPG). NASA rents hangar space from Yuma International Airport and conducts their research and development at this location. Yuma’s importance to the U.S. Department of Defense continues to grow as demonstrated by the large capital investment in the area and the importance of the testing that is conducted. Yuma Proving Ground is the Department of Defense’s busiest testing facility – on any given day, there are over 100 companies from all over the world testing their equipment and technology and training people.²¹

Innovation Frontier Arizona is a WIRED (workforce innovation in regional economic development) partnership between Pima, Cochise, Santa Cruz, and Yuma Counties to align workforce development, education, and economic development assets around a unified vision for southern Arizona’s prosperity. The effort focuses on advanced technology and homeland security, capitalizing on the region’s status as a border community and a premier aerospace-defense hub.

Infrastructure
Transportation is a critical foundation for economic development and job creation. Arizona’s border communities have been successful in getting state and federal investments in ports of entry, highway, rail, and air investments that have improved their abilities to foster economic growth.

The recently completed Arizona-Sonora Border Master Plan took an in-depth look at border infrastructure needs. Among the key projects that were identified were:

- Improve San Luis I Port of Entry
- Diversify rail connectivity with Mexico
- Pedestrian and vehicular rail over passes at Nogales Port of Entry
- A new commercial port of entry at Douglas
- Improvements to SR-189 which connects the Mariposa Port of Entry with I-19

The Ambos Nogales Partnership, a binational coalition of public and private partners, is working to develop infrastructure port expansion and efficiencies as well as developing the infrastructure to support business expansion in Nogales, Arizona. Nogales Community Development is developing the Foxworth Training Center in downtown Nogales to include a business incubator for entrepreneurs with access to year-round infrastructure and services. This facility will provide a “soft landing” office for multi-national small businesses interested in the region and foreign trade zone program or area workforce development training and assets.²²

Yuma, San Luis, and Somerton are committed to long-term sustainability through the development of solar and other alternative energy resources. The city of Somerton has eight solar projects already developed or currently under construction at their water, sewer, public safety, and senior facilities. The electricity generated by the solar panels will result in savings to the city of over $150,000 annually and $4.5 million

²¹ Greater Yuma Economic Development Corporation
²² Nogales Community Foundation
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over the next 30 years. These savings will help to keep utility rates down for residents and businesses. More than one-third ($1.3 million) of the total $3.3 million project cost is free to the city in the form of two grants. In addition, the city will receive incentives (payments back to the city) from APS equaling nearly 60% of the project cost.

Water is a critical asset and concern for any community and this applies to all of the border communities. For the most part, Arizona’s border communities have plenty of available water to support population and industrial growth. There are some limits in terms of using water for agriculture in the Douglas area but this is due mostly to a regulatory issue, not a lack of water. For instance, the city of Douglas waste water treatment facility sends all its treated water, an estimated three million gallons per day, into Sonora, Mexico, where it is used for agricultural purposes. Somerton owns its water rights and Yuma has the oldest water rights on the Colorado River. As a result of securing long-term water, Yuma is in a position to use its large water supply to its economic advantage. However, the region recognizes that it is critical to define the water that is allocated to Yuma. Yuma also has excess wastewater capacity. Though sewer capacity is limited in portions of San Luis, the city has a new wastewater treatment plant located on the eastern edge that is creating significant growth potential to support commercial, industrial, and residential development.

Though Arizona is ranked highly in terms of citizens with Internet access, Arizona border communities still face many obstacles in telecommunications infrastructure including poor digital connection speeds. Arizona’s economic competitiveness is dependent upon effective and state-of-the-art digital capacity. Border communities face many obstacles, including inadequate connections, lack of connected infrastructure, and affordability. High-speed digital service and capacity is important for business development and overall quality of life. The Arizona Department of Administration’s Arizona Strategic Enterprise Technology (ASET) office and the Digital Arizona Council (DAC) are working with communities and public/private partnerships to address Arizona’s digital deficiencies.

**Land and Buildings**

Arizona border communities have land available for development of residential, commercial, and industrial projects. Each of the communities has industrial parks with varying degrees of infrastructure available. The Arizona Commerce Authority is working with border communities to identify and create a comprehensive database of available land and buildings for new business development and expansion.

Douglas has the 75-acre Cochise Industrial Park with land available and utilities accessible upon request. Air and truck transportation are also available in the community. The area also has inexpensive and developable (flat) land available though not all shovel-ready (i.e., necessary infrastructure and permitting are still required). Douglas has buildings ready for retail or other commercial uses, and many of these facilities are in the downtown area.

The city of Nogales has land available for development but many of the areas lack infrastructure. There is developable land at the Nogales International Airport and Santa Cruz County has received funding to develop an industrial park at the airport on 11 acres. Nogales has five industrial parks in the area representing over 500 acres – La Quinta, Industrial Park, Grand Avenue, Baffert Drive, and Rio Rico – ready for business development.

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23 City of Somerton
24 Arizona’s Strategic Plan for Digital Capacity; 2012
The city of San Luis has over 300 acres of industrial land available throughout the community and primarily at San Luis II port of entry. The land within San Luis is very buildable from a terrain standpoint. Existing industrial buildings such as the 600,000-square-foot Greater Yuma Industrial Estate (previously known as the Meadowcraft building) are available within San Luis.

Somerton has 20 acres of fully served lots within a light industrially zoned park as well as additional areas already zoned but not yet served by infrastructure. The city of Somerton currently owns a 10,000-square-foot building that could be used for retail development or as a business incubator. Additionally, the community has commercial properties available for development.

The city of Yuma owns land that can be developed for both job creation and capital investment. Developing these sites entails adherence to a prescribed city process. The Yuma International Airport has developable land and buildings ready for business creation and expansion and additional move-in ready buildings are available throughout the community. However, only 9% of land within Yuma County is public fee land that could limit population and economic growth.

As previously indicated, Yuma has historically had a large military presence and the defense industry continues to provide a large number of quality jobs. The Yuma International Airport has developed 100 acres for their Defense Contractor Complex, which supports all aviation activity that takes place on the Department of Defense ranges and facilities. An additional 240 acres are planned for expansion of the Defense Contractor Complex.

Business Climate

Arizona border communities are pro-business and interested in further economic diversification. The Greater Yuma Economic Development Corporation works closely with the cities of San Luis and Somerton to promote and harness economic assets to diversify the economy. A similar collaborative community approach is also occurring in Douglas. The Douglas International Port Authority is led by private and public sector executives with expertise in trade/logistics, cross-border manufacturing, agribusiness, and community and economic development. The primary mission...
is to promote trade and commerce with a particular focus on the expansion and further development of the Douglas port of entry.

Since 2005, the Greater Nogales Santa Cruz County Port Authority has been working with great success to forward infrastructure and business development efforts in the Nogales region. Since 2011, a binational coalition of public and private partners in Ambos Nogales known as the Ambos Nogales Partnership has coalesced to develop coordinated strategic planning and actions that are guiding infrastructure and business investments for economic development in Ambos Nogales. The core business partners include the Nogales Community Development, Nogales Santa Cruz County Economic Development Foundation, Greater Nogales Santa Cruz County Port Authority, Fresh Produce Association of the Americas, Consejo Empresarial Nogales, and Santa Cruz County One Stop/Workforce Investment Board, among others.

The Port Authority’s vision is to improve the ports of entry and the quality of life for the residents of the region to help make Nogales into a world-class location for international businesses. The Partnership has four goals to fulfill its mission: serve as the channel for binational communications that facilitates and enhances trade; strengthen local businesses and infrastructure in downtown Ambos Nogales; meet the resource and training needs of existing and prospective businesses; and promote the community and economic assets.

Foreign trade zones, which are available in all of the border communities, offer an opportunity for companies to import parts and components, perform additional value-added production, and not pay the duties until the finished product leaves the zone, offering a deferment on the payment of duties to companies. In Arizona, there is an additional benefit to doing business in a foreign trade zone. Arizona is the only state that provides a property tax reduction for companies located in a designated and activated foreign trade zone or sub-zone. Qualifying companies receive up to an 80% reduction in real and personal property taxes.

The cities of Douglas and Somerton each recently approved downtown redevelopment plans and offer incentives for businesses to locate in the downtown. The incentives are also for improvements to existing businesses.

**Quality-of-Life**

The perception of community safety by residents in Arizona’s border communities differs greatly from outsiders’ opinions. Residents are committed to and rooted in their communities and they want the kind of sustainable economic prosperity that will enable them raise their families, and see their children prosper economically. The communities have a strong sense of place with a unique international and cross-border ambience.

There are signs that border communities’ economies are improving. New housing is being developed in San Luis, Somerton, and Yuma and there are signs that the real estate market is improving in other areas. San Luis has built new public libraries with state-of-the-art technology and a new performing arts center at the San Luis High School.

Educational opportunities abound within the region and residents believe their schools are relatively good. Programs like “Ready Now Yuma” that offer an integrated STEAM curriculum (with the “A” referring to agriculture and aerospace) are beginning to show positive results. Higher educational institutions have been strong partners in regional economic development and have effectively tailored and
delivered applied programs to meet community needs.

The border communities are family-oriented with close family and cultural ties that reach across the border. Multiple festivals, events, and holidays celebrate this heritage. For example, attendance at the annual Somerton Tamale Festival held in December has grown to over 30,000 people.

Arizona border communities have tremendous recreation, open space, and natural resource assets. These assets are attractive to visitors and residents alike. They are an important part of what makes these communities’ quality of life unique.

In further developing the quality-of-life in the Nogales region, the Arizona Office of Tourism has been working with the city of Nogales and Nogales’ business community since 2012 to implement a tourism development and marketing plan. The plan’s goal is to better market Nogales as a tourist destination, increase visitation, and increase Nogales’ economic opportunities. Nogales’ work is being complemented with similar efforts to improve and market Nogales, Sonora’s tourism assets.

Availability and quality of healthcare is critical to border communities in order to attract new businesses, meet local needs, and provide quality employment. Like many small, rural communities, maintaining access to local medical services is challenging. Arizona border communities currently have adequate healthcare, such as the Southeast Arizona Medical Center (SAMC) in Douglas, which provides general medical and surgical care for inpatient, outpatient, and emergency room patients. It should be noted that SAMC recently filed for bankruptcy protection and its future is uncertain. If the facility closes, residents will have to travel to Sierra Vista or other communities for their medical needs.

Nogales also has two regional healthcare facilities – Carondolet Holy Cross Hospital and Mariposa Health Clinic.

Yuma is experiencing major healthcare expansion due to the recent partnership between the Mayo Clinic and Yuma Regional Medical Center, resulting in the construction of a new cancer center. The medical facility, a Level 1 Trauma Center, is the largest private employer in Yuma County with a service area that includes Imperial Valley, California, and northern Mexico. It is also a teaching hospital.
Summary of Key Findings

- Binational data is critical to develop and communicate a strong business case for Arizona border communities.
- A strong border community economic development effort is imperative.
- Border communities must do a better job of telling the compelling border economic opportunity story.
- A border brain trust dedicated to implementation is essential.
- Border infrastructure must be built to connect border communities to commerce corridors and maximize global connectivity.

Five-Pronged Response

The action response outlined in the Roadmap reflects the opportunity for border communities to use the game changers as significant catalysts for change—doing business in new ways that reflect emerging global trends and best practices that have been successful in other communities, but placed firmly in the context of Arizona’s border and its assets.

The Border Communities Roadmap requires a coordinated, focused effort to ensure implementation. Collaboration, leadership, and effective communication are vital to implementing the Roadmap and realizing the vision. The “Game Changers” require a “Five-Pronged Response” for Arizona border communities to be successful. Each of the five responses has an immediate action step that communities need to take now and a longer-term strategic agenda.

Five-Pronged Response

1. Build Border Business Case
2. Enhance Economic Viability
3. Improve Border Community Image
4. Strengthen Relationships and Foster Collaborations
5. Focus on Border Infrastructure that Links Border Communities to Key Commerce Corridors and Promotes Global Connectivity
Arizona’s strategic position to Mexico’s growing economy represents border communities’ major economic asset. As Arizona’s economy continues to rebound, building on the state’s many assets can further accelerate this strengthening of the economy.

One of the Arizona border’s great assets is the long history of collaboration with Sonora, Mexico and a binational relationship has served as a model for other border states. This long-term relationship is strengthened through the twice-a-year Plenary Sessions between the Arizona-Mexico Commission and Comisión Sonora-Arizona.

Organizational effectiveness and clear lines of responsibility are critical to ensure economic success. The state agency collaborative (Arizona-Mexico Commission, Arizona Department of Transportation, Arizona Commerce Authority, and Arizona Office of Tourism) recognized the important role the border region plays in statewide economic development and is committed to assisting Arizona’s border communities with the Roadmap’s implementation.

Border economic development organizations should consider the strength of being a border community and focus at least some of their efforts on a binational strategy. The prospect for success is enhanced if the organizations on the Arizona side of the border know about the economic development efforts in their Mexican counterpart communities. This is a particularly compelling strategy for Arizona border communities, which are quite small on their own, but become much more significant when combined with their cross-border partners, and the potential for growth is significantly enhanced.

The Arizona Commerce Authority is working closely with border communities to develop an online database tool of existing land and buildings available for development. The inventory will be an effective tool for site locators to determine ready-sites for development. There are several economic impact studies that are now several years old and need to be updated. A funding mechanism needs to be identified that can ensure that data is available to support a strong business for economic investment along the Arizona-Mexico border.

**Binational Data Is Critical**

Ensuring up-to-date and binational data is critical to develop and communicate a strong business case to encourage public/private investments in the Arizona-Mexico region. Lessons learned from the best practice research indicate how Arizona’s
competitive states have developed the framework for data collection and analysis. The Federal Reserve Bank of Dallas – El Paso Branch plays a significant role in maintaining binational border region economic indicators and analysis. The University of Arizona has played an important role in assisting Arizona border communities in research and economic analysis. Most recently, the completion of the *Fresh Produce and Production Sharing: Foundations and Opportunities for Nogales and Santa Cruz County* will assist in understanding the economic impact of the fresh produce industry and what can be done to maintain existing market share while encouraging industry growth.

**Strategic Initiative:**
Develop and Communicate a Strong Business Case for Border Community Economic Investment.

**Goals:**

1. Develop and maintain binational border community data in order to be able to make a strong business case for economic investment.
2. Develop and maintain up-to-date economic impact information on existing and targeted business sectors.

**Enhance Economic Viability**

**Immediate Action**

Each border community must establish a single point of contact for economic development. Outside interests and investors need to have a credible, easy-to-reach contact that is professional and knowledgeable about the community and its economic strengths.

The border communities’ economic development focus is geared toward retaining and strengthening existing businesses, attracting quality jobs to the region by building on community assets, developing the labor force needed to meet industry demand, and focusing on business sectors that align with the economic vision.

**A Strong Border Community Economic Development Effort Is Imperative**

Local community structures and professional economic development staff must be in place to facilitate economic development in the border communities. Organizations like the Greater Yuma Economic Development Corporation, which represents San Luis, Somerton, and Yuma, and the Borderplex Alliance that represents the El Paso/Juarez/Santa
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

Teresa area, are professionally run economic development efforts that use community strengths in a strategic approach to recruit and grow companies. Strong and consistent organizational structures that stand the test of time are required to build the relationships necessary to sustain economic development long-term.

**Strategic Initiative:**
Expand Arizona’s Border Region’s Economic Viability and Impact to the State’s Economy.

**Goals:**

1. Partner on a cross-border targeted business attraction and industry development effort.
2. Marshal economic development tools, resources, policies, and funding to develop economic sustainability.
3. Partner on retention and expansion of existing cross-border industry sectors.
4. Foster entrepreneurship and innovation.
5. Work to strengthen retail development and tourism attractions.

In developing the border communities’ framework for economic viability, potential existing and emerging industry sectors were explored. Appendix A lists the identified targeted industry sectors from the various economic development organizations. This list was used to determine the potential targeted industry sector list for Arizona’s border communities.

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<th>Border Target Industry</th>
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<td>Logistics and Distribution</td>
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<td>Agribusiness</td>
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<td>Maquila/Manufacturing</td>
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<td>Aerospace and Defense</td>
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<td>Renewable Energy</td>
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<td>Tourism, Retail, and Hospitality</td>
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**Logistics and Distribution**

Planning, execution, and control of the movement or placement of goods and the related supporting activities, all within a systems approach. Arizona’s border communities are strategically located to expand the economic benefit from logistics and distribution. Arizona’s ports of entry processed a total of $26 billion worth of goods ($13 billion simply passed through Arizona), some 754,000 trucks, 15 million cars, 1,300 trains, and just over 42.4 million people in two-way traffic in 2012.25

Arizona’s trade relationship with Mexico reached $13.2 billion (imports and exports in 2012) yet a total of $26 billion crossed through America’s ports of entry, resulting in $13 billion worth of goods simply flowing through Arizona to destinations all over the world.

25 U.S. Customs and Border Protection statistics
Border Target Industry

Agribusiness

Agriculture remains an integral part of the border economy. Nearly 40% of all produce consumed in the U.S. during the cooler months still comes through Nogales from Mexico (originating in Sonora and Sinaloa). Arizona is facing increasing competition from Texas border ports of entry for the warehousing, packaging, logistics, and value-added components of the produce industry. The economic impact of the fresh produce industry on Nogales and Santa Cruz County is great and agriculture is a major economic driver in Yuma County. To continue to expand the fresh product industry, a highly efficient system of warehousing, packaging, and distribution is required. However, the seasonality (primarily winter months) of the produce industry crossing at Nogales is both a challenge and potential opportunity, limiting business currently but providing underutilized capacity for expanding the season. As stated earlier, the fresh produce industry has a $437.7 million economic impact on Santa Cruz County, of which $190 million is wages and $45 million is state and local government taxes.26

In Yuma County, the agribusiness industry is a $3.2 billion-per-year industry. Yuma’s agribusiness sector is responsible for supplying the U.S. with 80% of its winter, leafy vegetables while also being the largest producer of crops in Arizona. Yuma also imports produce from Mexico and produce from both countries is sometimes combined for value-added products, such as pre-washed bagged salad mix.27

Border region agriculture enterprises have competencies in agribusiness and water issues. The innovation in agri-science and the precision approach occurring in Yuma County could transfer into additional market sectors and yield more robust economic returns. Technologically advanced agriculture in Yuma County includes seed genetics, advanced fertilization and irrigation technologies and systems applied during the growing process, and geographic positioning systems-guided equipment used for planting and harvesting crops. Value-added crops have been introduced to the area with the packaging of produce and fruits for individual consumption as well as mass production. The area recently realized a 13% growth in Medjool date production and anticipates a 35% increase in 2014. Durum wheat and olive oil production are other examples of value-added crops within Yuma County. As a result of Yuma County’s agricultural advances, agriculture is still an important industry to Arizona.

A large percentage of all winter produce consumed in the U.S. is shipped through Nogales each year. Ensuring produce arrives fresh requires efficient packaging, transportation, warehousing, and distribution. The fresh produce industry has direct and indirect economic impact on the Nogales and Santa Cruz County economies. Every 100 direct jobs in the fresh produce industry generate an additional 52 jobs; every $1 in wages to direct employees in the fresh produce industry generates an additional $0.29 in wages in other sectors, and every $1 in direct output in fresh produce industries generates an additional $0.44 in other economic sectors in Santa Cruz County. Nogales’ fresh produce industry involves importation, inspection, transportation, warehousing, and distribution of Mexican-grown produce to North American markets. According to the Fresh Produce and Production study, the fresh produce industry generates a total dollar impact of $437.7 million, of

26 Fresh Produce and Production-Sharing: Foundations and Opportunities; UA; June 2013
27 Greater Yuma Economic Development Council
which $190 million is wages and $45 million is state and local government taxes.\(^{28}\)

The study also states that while the total dollar value of imported fresh produce shows an upward trend, a comparison with other U.S.-Mexico border ports of entry shows Nogales’ declining share, particularly vis-à-vis Texas ports of entry. This may be a result of several factors, including the rise in export of fresh produce grown in central Mexico and shipped through Texas border ports of entry, longer growing seasons of central Mexico regions, and convenient border crossings for fresh produce trucks serving U.S. Midwest and northeast markets.\(^{29}\)

Border Target Industry

**Maquila/Manufacturing**

Arizona border communities have a long history with maquiladoras. Border communities in the U.S., including Arizona communities, did not see as much benefit from the original twin plant maquiladora concept from the mid-1960s. Communities like Nogales saw some front office and distribution centers for out-of-state parent companies locate. Over time, this concept grew into more complex production operations with a mix of locally- and foreign-owned operations.

As the nearsourcing trend evolves, the maquiladora industry is changing. Communities on both sides of the border share workforces and resources that support an integrated manufacturing and industrial supplier sector. This sector is closely tied to the logistics and distribution sector and is dependent upon its efficiency and capacity for growth and development. A robust multi-modal transportation network is critical to this sector.

Nogales and Santa Cruz County industrial structure has been influenced by maquiladora activity south of the border. The North American Industry Classification System (NAICS) assigns a code that defines establishments based on the activities in which they are primarily engaged. For example, the following three sectors — computer and electronic product manufacturing (NAICS 334), transportation equipment manufacturing (NAICS 336), and electrical equipment and components manufacturing (NAICS 335) — are obviously related to the maquiladora sector in Sonora. However, as Table 8 indicates and the study states, Santa Cruz County’s industrial structure is far from a true “twin plant,” “co-production,” or “cross-border industry cluster” model.\(^{30}\)

The study goes on to explain “some of the reasons and challenges of this situation, such as the mere size of Nogales, Arizona’s economy and its proximity to the larger metro areas of both Tucson and Phoenix. Another important factor is the fact that decisions about input of components and services are still vested in the parent company. As the report further illustrates, the majority of Nogales, Sonora maquiladoras are owned and operated by out-of-Arizona parent companies.”\(^{31}\) This is a critical factor because key decisions about supply chain location and other business decisions are still made by the parent company outside of Arizona. The study indicated that “More than a third of all maquiladoras (35.2%) are owned and operated by parent companies outside of Arizona; California, Illinois, and Massachusetts top the list of out-of-state parent companies.”\(^{32}\)

\(^{28}\) Fresh Produce and Production-Sharing: Foundations and Opportunities; UA; June 2013

\(^{29}\) Ibid.

\(^{30}\) Ibid.

\(^{31}\) Ibid.

\(^{32}\) Ibid.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

Table 14: Ambos Nogales: Manufacturing Employment by Industry Sector

<table>
<thead>
<tr>
<th>NAICS</th>
<th>Industry Sector</th>
<th>Nogales, Sonora</th>
<th>Nogales, Arizona</th>
</tr>
</thead>
<tbody>
<tr>
<td>334</td>
<td>Computer &amp; electronic product manufacturing</td>
<td>7,843</td>
<td>198</td>
</tr>
<tr>
<td>315</td>
<td>Apparel manufacturing</td>
<td>5,100</td>
<td>0</td>
</tr>
<tr>
<td>336</td>
<td>Transportation equipment manufacturing</td>
<td>4,802</td>
<td>117</td>
</tr>
<tr>
<td>335</td>
<td>Electrical equipment, appliance, &amp; components manufacturing</td>
<td>4,675</td>
<td>46</td>
</tr>
<tr>
<td>339</td>
<td>Miscellaneous manufacturing</td>
<td>3,463</td>
<td>71</td>
</tr>
<tr>
<td>332</td>
<td>Fabricated metal product manufacturing</td>
<td>2,269</td>
<td>34</td>
</tr>
<tr>
<td>333</td>
<td>Machinery manufacturing</td>
<td>1,699</td>
<td>0</td>
</tr>
<tr>
<td>811</td>
<td>Repair &amp; maintenance</td>
<td>1,565</td>
<td>14</td>
</tr>
<tr>
<td>326</td>
<td>Plastics &amp; rubber products manufacturing</td>
<td>583</td>
<td>31</td>
</tr>
<tr>
<td>325</td>
<td>Chemical manufacturing</td>
<td>565</td>
<td>0</td>
</tr>
<tr>
<td>322</td>
<td>Paper &amp; paper products manufacturing</td>
<td>423</td>
<td>0</td>
</tr>
<tr>
<td>316</td>
<td>Leather &amp; allied product manufacturing</td>
<td>175</td>
<td>0</td>
</tr>
<tr>
<td>327</td>
<td>Furniture &amp; related product manufacturing</td>
<td>138</td>
<td>4</td>
</tr>
<tr>
<td>323</td>
<td>Printing</td>
<td>13</td>
<td>7</td>
</tr>
</tbody>
</table>

|                  | Total Number of Employees | 33,310 | 522 |

Source: Fresh Produce and Production-Sharing: Foundations and Opportunities (June 2013); Authors based on Index Nogales, Asociacion de Maquiladoras de Sonora, A.C. (included are both members and non-members); for Nogales, Arizona employment from IMPLAN model of Santa Cruz County.

Arizona’s other border communities face similar challenges with respect to manufacturing – small size, inadequate infrastructure, distance to major markets, and out-of-state parent companies.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

Mexico has abundant natural resources in gold, silver, copper, lead, zinc, natural gas, and petroleum. These resources have historically been a revenue generator for Mexico and mining continues to expand. Oil-producing regions are located in eastern and southern Mexico while gold, silver, copper, and zinc are mined in the northern and western regions. Mexico has been ranked high worldwide as a producer of silver and mining continues to be an important economic driver. How Arizona positions itself in relationship to the Mexican mining industry might offer manufacturing and supply chain economic development opportunities.

Border Target Industry

Aerospace and Defense

Though the aerospace and defense industry is not located in each of the border communities, it plays a major role in the border region and provides for future opportunities. Additionally, aerospace exports from Mexico have increased dramatically and are expected to continue to grow as a result of more than 270 aerospace companies in Mexico, with 45 located in Sonora. Only Baja, California exceeds this number with approximately 50. Aerospace is a targeted industry for Mexico because it diversifies the current economic base beyond automobiles and electronics while creating a higher level of jobs. Although Mexico is trying to attract as much of the aerospace supply chain as possible within its borders, opportunities for the U.S. side of the border region to attract components of the aerospace supply chain exist.

Yuma is particularly suited to the aerospace and defense industries. It is home to two of the largest military installations in the U.S. The U.S. Army Yuma Proving Ground is the nation’s premier ground and weapons testing facility. The proving ground is capable of testing all series of unmanned aircraft systems and has the distinguished title of logging more flying time than any other location in the world. Multiple flight and testing ranges along with a support staff of unmanned aircraft systems personnel can accommodate any flight testing currently needed in the market. Marine Corps Air Station – Yuma (MCAS) is the country’s foremost Marine Air Base with an enlisted population of 10,000+ pilots, aviation technicians, and aeronautic mechanics. On average, 1,000 Marines exit MCAS-Yuma on an annual basis with certifications and degrees in aviation maintenance and repair and could be recruited to remain part of the workforce in Arizona. Cochise County also plays a major role in unmanned aircraft systems pilot training and the defense industry, with the presence of Fort Huachuca, is strong in Sierra Vista.

Border Target Industry

Renewable Energy

Renewable energy has been a targeted industry for Arizona and the state has been a leader in solar industry development. The border region, particularly in Yuma County, has also experienced the economic benefit from this industry sector. Yuma has become attractive to new solar development due to its radiant temperature scale. Many companies are at different stages of their utility scale developments, which incorporate varying technologies for power generation. Additionally, Arizona Western College has a five megawatt solar installation on campus, strengthening its position as a leader in renewable energy technology and education.

Border Communities Roadmap
Border Target Industry

Tourism, Retail, and Hospitality

The travel and tourism industry ranks number one among other export-oriented industries in Arizona and tourism tax dollars and employment greatly benefit rural areas, including the border communities. In 2007-2008, the University of Arizona completed a study on Mexican visitors to Arizona. During the 12-month period, more than 24 million Mexican visitors came to Arizona resulting in $2.7 billion in spending. Overnight visitation represented 16% of total visitation, equal to 3.8 million overnight visitors. Much has changed since 2007 and it would take a new study to identify the shifts in travel patterns and spending. For now, estimates on Mexican overnight visitation to Arizona indicate that overnight visitation volume has declined annually since 2007 but has recently seen improvements in 2012. The overnight visitor trend is shown in Table 9.

Table 15:
Historical Mexican Overnight Visitation Volume to Arizona

Source: Tourism Economics; University of Arizona Mexican Visitor Study

<table>
<thead>
<tr>
<th>Year</th>
<th>Visitation Volume (millions)</th>
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</thead>
<tbody>
<tr>
<td>2007</td>
<td>3.8</td>
</tr>
<tr>
<td>2008</td>
<td>3.8</td>
</tr>
<tr>
<td>2009</td>
<td>3.6</td>
</tr>
<tr>
<td>2010</td>
<td>3.3</td>
</tr>
<tr>
<td>2011</td>
<td>3.2</td>
</tr>
<tr>
<td>2012</td>
<td>3.4</td>
</tr>
</tbody>
</table>

One of the major takeaways of the *Mexican Visitor Study* is that overnight visitors spend an average of $839 per party per trip while day-visitors spend an average of $81 per party per trip. Thus, although overnight visitors represent 16% of all visitor parties, they account for 66% of all Mexican visitor expenditures in Arizona. Based on this, there is an opportunity to grow Mexican overnight visitation in each of the border communities.
Thanks to the efforts of the border communities themselves, the support of the state agency collaborative, and the interest of diverse players like the Maricopa Association of Governments and the mayors of Phoenix and Tucson, the border is being recognized in Arizona as an economic asset for the state.

It is up to the border communities and the four-agency collaborative to work together to continue to communicate the importance of the border communities and trade with Mexico. Websites, social media, tourism promotion, and traditional media communication, such as editorial board meetings and press releases, should be part of the initial strategies. The message of trade opportunities, market connectivity, and jobs for Arizona should be the consistent border message.

Collaborative efforts among all the border communities can help minimize the need for new resources. Economic development organizations, tourism promotion groups, and cities and counties can work together and share the responsibility. The payoff for the border communities in terms of new investment, increased tourism, and increased regional and state funding can be significant.

**Tell the Compelling Border Economic Opportunity Story**

Marketing and communicating about the economic opportunity of Arizona’s border communities can help change the dialogue from its current focus on security to strategic positioning of the region for business development. As witnessed during the visits to Arizona border communities and those in the other border states, it is imperative to work collaboratively to create and communicate a consistent message about Arizona’s border region and the economic opportunity of the state’s border communities. Communicating the importance of a strong border region is critical to Arizona’s economic success.

The last several years have been challenging for the border region. Beginning with the terrorism acts of September 11, 2001, the U.S. began an unprecedented shift toward security and safety as a primary focus. The border went from a relatively easy experience for travelers to a significantly longer and more involved process. Over the course of the next decade, as narcotics traffickers were removed from Colombia and began moving into Mexico, safety in Mexico became a problem, hurting the country in terms of both business and foreign tourism (not to mention the domestic political turmoil). Finally, the great recession hit the Mexican economy hard, and encouraged more Mexican and other workers to seek economic opportunities in the U.S., crossing the border without documentation in large numbers. The border image became one of an unsafe, drug-ridden area filled with criminals and contraband. Reality became far less important than perception.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

In reality, the U.S. border communities were rarely any less safe than other communities, and issues sometimes faced in rural parts of the border were seldom seen in more urbanized communities.

Today the border region has changed dramatically. Border security has been greatly enhanced. The numbers for legal commerce are all trending upward – more vehicles with higher value, more Mexican visitors again spending more money, and border businesses beginning to boom. With the nearshoring/reshoring trend, border communities are not only returning to normal but setting a new normal for increased value-added production and trade opportunities.

**Strategic Initiative:**
Improve the Image and Build Awareness of the Positive Impact to Arizona of an Economically Strong Border Region.

**Goals:**

1. Quantify and maintain border region economic and quality-of-life indicators.
2. Develop and communicate consistent border region brand and messaging.
3. Recognize in statewide marketing and planning that Arizona’s border communities are important to the state’s overall economy.

**Strengthen Relationships and Foster Collaborations**

**Immediate Action**

**Build the Border Brain Trust.** The four state agencies – the Arizona-Mexico Commission, Arizona Commerce Authority, Arizona Department of Transportation, and Arizona Office of Tourism – have come together in an unprecedented collaborative effort to complete the Roadmap. The four agencies will continue to work together with border communities to implement the Roadmap and measure results over time, bringing agency resources as available and providing technical assistance.

The Arizona border communities’ assets as outlined in the Roadmap can help to propel the economies of this state as well as the entire binational region. However, other competitive states (and not just border states) are becoming more aggressive in strengthening ties with Mexico and developing binational relationships focused on economic development.

In order to remain competitive and strengthen border communities, Arizona must recognize the importance of developing a strong international focus and dialogue about maximizing assets and opportunities. This cannot be achieved without a concerted and coordinated public/private effort that builds upon the work that has already been accomplished as a foundation. Relationship building and unique collaborations must occur at every level — local, regional, state, and national levels.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

The border communities historically have had strong cross-border relationships because of business, cultural, and family ties. Entities like Ambos Nogales and the work that the Greater Yuma Economic Development Corporation has done to foster binational relationships and economic development efforts represent examples of important collaborations that should continue to develop. The global business expertise along Arizona’s border is tremendous. The Arizona-Mexico Commission has played an important role in fostering and strengthening these relationships over its 54-year history. Through the committee structure, the commission has allowed for mutual issues to be addressed and projects to be developed that benefit Sonora, Mexico and Arizona. Through the Arizona-Mexico Commission’s efforts, with the support of border communities and associations, there is a renewed interest about the economic potential the Arizona-Mexico border presents to the state.

A Border Brain Trust Dedicated to Implementation Is Essential

As the Roadmap moves into the implementation, the four state agencies’ “Border Brain Trust” will continue to meet together and with border community leaders to discuss and coordinate efforts. Additionally, other state agencies or groups will be brought into the collaborative. The goal is to ensure that state resources are coordinated and targeted to maximize benefits to the communities, region, and state. The collaborative will also provide an update to the Governors at the Arizona-Mexico Commission Plenary Session and be a resource to promote positive border-wide messages.

Strategic Initiative:
Expand and Strengthen Relationships that Drive Arizona’s Economic Initiatives.

Goals:

1. Develop public/private relationships that can address border communities’ economic initiatives.
2. Implement economic development strategies that fully integrate the Arizona-Sonora border.
3. Facilitate cross-border regional communications and foster collaborations.
Focus on Border Infrastructure that Links Communities to Key Commerce Corridors and Promotes Global Connectivity

Immediate Action

Using the Arizona-Sonora Border Master Plan as the foundation, identify five actions that will most enhance the border communities’ global connectivity. Actions should be short-term steps to make progress toward connectivity such as interim or partial projects, staffing needs at the border, connections using local infrastructure, or marketing specific crossings.

If the vision of the border as an asset is to be fully realized, border communities need to continue to focus on transportation and infrastructure that link border communities to key commerce corridors and promote global connectivity. Communities are always focused on land ports of entry as their lifeblood, as they should be. However, federal funding is becoming far less reliable for construction or staffing of ports. State and federal highway funding is also in decline for adjacent infrastructure and the commerce corridors that will connect the ports to global markets. Arizona’s border communities must ensure vital transportation infrastructure to support economic development is maintained and further developed.

In order to meet future infrastructure needs, border communities will need to explore new funding mechanisms and alternatives beyond the traditional funding request to Congress. For instance, all but a few of the ports of entry in Texas have a toll associated with them – and the largest free crossing, the Bridge of the American in El Paso/Ciudad Juarez, is considering the implementation of a toll. The newest port of entry under construction, Otay Mesa East just east of San Diego/Tijuana, will be a tolled crossing. Customs and Border Protection just selected four Texas land ports of entry to be pilot crossings where local funds could help pay for additional staffing or overtime. The stage is being set and Arizona communities need to explore these and many other ideas.

In order to truly expand the capabilities of ports of entry, the deployment of new and innovative technologies should be considered. For instance, border wait time studies are underway in Nogales and in other ports of entry. These studies rely on the deployment of technology to measure the queue time for trucks and passenger vehicles to cross the border, and allow border officials to broadcast wait times to crossers via the Internet or mobile apps, and also allow border officials to look at patterns, determining when they need additional staffing, when to open and close lanes of traffic, and when long-term patterns change, requiring different border management. Otay Mesa East near San Diego is testing a sophisticated Intelligent Transportation System that will allow them to direct vehicles to other ports when wait times get too long, broadcast weather or security delays at crossings, and further empower drivers to manage their trips more efficiently. Arizona border crossings need to keep pace.
Build Border Infrastructure to Maximize Economic Opportunities

It is imperative that transportation infrastructure be viewed as more than simply connecting two points along a road, but rather as the enabling gateways to global trade and investment opportunities. More than most communities, Arizona’s border cities understand the global economy. Yet communities can become localized when considering transportation assets. By viewing their surface transportation system as corridors of commerce that connect them to the world, communities can better prioritize their transportation network and choose where and how to invest resources.

Enhancing Arizona’s competitiveness and ensuring sustainable economic growth requires an efficient multi-modal transportation system and adequate infrastructure to meet current and projected demand. Allowing for cross-border trade in a timely manner is imperative. The movement of goods by truck or rail is affected by the processing capabilities at the ports of entry and the infrastructure leading to and from the border. Arizona’s border communities are directly impacted by ever-changing security protocols and policies that impact the region’s economic competitiveness. Other infrastructure such as water, sewer, ready-sites, and telecommunications are also critical to ensure adequate economic development can occur within border communities.

Recognizing the importance of the Arizona-Mexico relationship, in 2006-2007 Arizona conducted an initial assessment of the port of entry system and created Vision 2025, an effort that would double the throughput for inspection at the ports of entry with Mexico. Since then, projects totaling more than $450 million have been completed or about to be completed and have added more than 20 primary lanes for pedestrians, cars, and trucks, reaching the established goals two years ahead of schedule along with major improvements in the connectivity between the ports of entry and the federal highway system. But much more needs to be done.

To address transportation infrastructure in a coordinated manner, the Arizona Department of Transportation and the state of Sonora completed in 2013 the Arizona-Sonora Border Master Plan. The master plan identifies transportation and ports of entry improvements on both sides of the border for the next 30 years. The plan includes a prioritized list of 160 projects with cost estimates. Example projects include improvements to San Luis I and the construction of a new port of entry at Douglas as well as rail connectivity improvements between Arizona and Mexico.

Strategic Initiative:
Build Border Infrastructure That Enhances Arizona’s Global Competitiveness and Connectivity, Addresses Border Communities’ Economic Development Goals, and Maximizes the Return on Investment.

Goals:

1. Prioritize infrastructure improvements that address economic development priorities and enhance the border’s global connectivity.
2. Implement a border region comprehensive, integrated transportation system (i.e., roads, ports of entry, rail, and airports).
The Roadmap Beyond Implementation

The Roadmap is a living document, charting a course for success and needing to be constantly reconsidered in a changing world. The Roadmap’s success will be measured by how it is implemented. It is not intended to be a document cast in stone but to provide the direction to take toward economic prosperity. However, there will need to be course corrections along the way adjusting for new opportunities or changes in priority. The key is not to throw out the entire Roadmap because changes are warranted but to monitor progress and make the necessary strategic shifts. The Arizona Border Communities Roadmap should be updated every five years or sooner if determined to be necessary as a result of implementation progress.

Ensuring public and private community leadership is on-board with the strategic direction and committed to moving initiatives forward is critical. Responsible, capable individuals who are knowledgeable about the community, are action-oriented, and facilitate collaboration should be involved in all phases of implementation. As new leadership emerges, communication about the Roadmap’s mission and progress is important to ensure buy-in to the mission. Creating and maintaining clear communication about the Roadmap vision, strategic direction, and progress will be important. The Border Brain Trust can work with communities to help track progress and keep communities and agencies accountable for success.

The Roadmap recommendations and suggestions are intended to enhance Arizona’s and border communities’ competitiveness but also to enhance the worldwide competitiveness of the Arizona-Mexico region. It is in recognizing and leveraging the long-standing working relationship with Mexico that offers small and large companies alternatives to establish or expand operations in a profitable and sustainable manner. It is by adopting global trends of multimodal logistics, re-shoring of manufacturing from Asia, and by offering dynamic and efficient transportation corridors for Mexico’s Central Valley and Pacific Coast that Arizona trade and investment relationship with Mexico will grow.

Summary of Key Findings

- The Roadmap must evolve to the changing border environment in order to maximize opportunities.
- Implementation requires a coordinated, focused public/private collaborative effort.
The relationship with Mexico is a vibrant one. It is a relationship that is based on geography, culture, business and tourism. Efforts are dedicated to enhancing security and facilitating the legal flow of goods and people. It is just as important to have a sound business environment for investment but also an environment that is conducive to attracting more visitors to Arizona and promoting tourism growth.

Visitors to the U.S. have to meet a number of documentary requirements in order to apply for entry into the country. The ease of travel and a positive border crossing experience are critical to ensure the continued growth in the volume of visitors to the border communities and Arizona. Tourism continues to be a critical component of Arizona’s economy. The U.S. government has created a number of programs that are designed to facilitate the entry into the U.S. through the voluntary participation in trusted traveler programs such as SENTRI (Secure Electronic Network and Travelers Rapid Inspection) that have had tremendous success in reducing the wait times for those enrolled in the programs. These programs should be expanded in order to help enforcement agencies better allocate their resources in order to focus more of their attention on those travelers that are considered higher risk. Additionally, if these programs have proven successful for those entering the country, these programs should also be made available to those who are leaving the U.S. This is of particular interest to border communities as many of the crossers are daily crossers or commuters and getting them to be considered as low-risk travelers in both directions will greatly impact the efficiency of the inspection process and thus enhance security.

There are efforts underway designed to provide an exemption on the I-94 that is required for all visitors that want to travel beyond 25 miles from the border. In the 1980’s approval was received for the Nogales-Tucson corridor that allows travelers to travel to Tucson (up to 75 miles) without having to secure an I-94. The new initiative would seek to provide this exception to the entire state of Arizona. While initiatives that expedite the travel of Mexican visitors to Arizona should be brought forth and vetted for applicability with all appropriate entities, as of the date of the Roadmap publication, many questions remain unanswered as to the enforcement of this new provision.

The implementation of the recommendations will help position the border communities, state, and Arizona businesses for new economic opportunities by diversifying international markets and creating new, higher paying jobs.

Arizona’s economic success is dependent upon using Arizona border communities’ assets as a catalyst for new emerging opportunities. Staying focused but recognizing opportunity and fostering strategic partners is imperative. Effective communication, strategic partnerships, proactive leadership, and a focused effort will lead the way toward economic prosperity for Arizona’s border communities.

**Action:**

Implement recommendations in order to grow Arizona’s exports to Mexico from $6.2 billion in 2012 to $12 billion by 2020.

**Action:**

The Roadmap strategies should be embedded into all local, regional, and statewide actions that relate to border communities.
### Appendix A - Targeted Industry Sectors

<table>
<thead>
<tr>
<th>Organization</th>
<th>Industry Sector Target</th>
</tr>
</thead>
</table>
| Arizona Commerce Authority | Aerospace & Defense  
|                       | Semiconductor                                               |
|                       | Optics/Photonics                                            |
|                       | Bioscience                                                 |
|                       | Renewable Energy                                           |
| Sun Corridor          | Aerospace, Homeland Security & Defense                      |
|                       | Bioscience                                                 |
|                       | Information Technology                                     |
|                       | Renewable Energy                                           |
|                       | Transportation & Logistics/Company Headquarters            |
| TREO                  | Aerospace & Defense                                        |
|                       | Bioscience                                                 |
|                       | Transportation & Logistics                                 |
|                       | Alternative Energy/Solar                                   |
| Yuma Region           | Logistics & Distribution                                   |
|                       | Maquila                                                    |
|                       | Agribusiness                                               |
|                       | Aerospace & Defense                                        |
|                       | Industrial Manufacturing                                   |
|                       | Renewable Energy                                           |
## Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

<table>
<thead>
<tr>
<th>Organization</th>
<th>Industry Sector Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cochise County</strong></td>
<td>Aerospace &amp; Defense</td>
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<tr>
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<td>Renewable Energy</td>
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<td>Agribusiness</td>
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<tr>
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<td>Tourism &amp; Hospitality</td>
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<td>Mining</td>
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<td><strong>Santa Cruz County</strong></td>
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<td>Retail</td>
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<td>Maquila</td>
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Appendix B – Work Program

Border Economic Vision

The Border Region is “Arizona’s Gateway” to global opportunities, leading the way to economic diversification, innovation, strategic investment, job creation, and quality community building.

### Arizona Border Communities Game Changers

1. Build Upon Arizona Border Community Assets
2. Form New Strategic Alliances
3. Harness Mexican Economic Shifts
4. Leverage Key Commerce Corridors for Market Connectivity
5. Support Emerging Business Development Opportunities

### Five-Pronged Response

1. Build Border Business Case
2. Enhance Border Economic Viability
3. Improve Border Community Image
4. Strengthen Relationships and Foster Collaborations
5. Focus on Border Infrastructure that Links Border Communities to Key Commerce Corridors and Promotes Global Connectivity

The following work program was developed through a collaborative process with Arizona’s border communities. The work program is intended to assist border communities in defining and prioritizing their local economic development activities aligned with the Roadmap.
Build Border Business Case

**Strategic Initiative:**
Develop and communicate a strong business case for border community economic investment.

**Goal 1.1:**
Develop and maintain binational border community data in order to be able to make a strong business case for economic investment.

**Strategies:**
1.1.1 Develop and maintain border community and border region profiles with basic economic and quality-of-life statistical information. It is critical that the Maquiladora Association is included in this effort in order to gather accurate information from the maquiladora industry.

1.1.2 Work with other border states in establishing an international municipal statistical area (MSA) for the purpose of maintaining consistent and accurate border community economic census information.

**Goal 1.2:**
Develop and maintain up-to-date economic impact information on existing and targeted business sectors.

**Strategies:**
1.2.1 Arizona should pursue permission from the Federal Reserve Bank – San Francisco to allow Arizona to work with the El Paso Federal Reserve Bank that is currently developing and maintaining statistical data along the U.S. border in Texas and New Mexico.

1.2.2 Maintain current binational information regarding trade statistics, port of entry basic information presented in a simple format, gross domestic product information (U.S., Mexico, and regional), and quality-of-life indicators.

1.2.3 Pursue accurate unemployment figures for border communities and implement a strategy to tell the story about border unemployment more effectively.

1.2.4 Develop and keep current economic impact studies such as the Maquiladora Impact Study and Tourism Impact Study.

1.2.5 Establish a Border Data Center one-stop shop for up-to-date border communities’ data and statistics.
Enhance Economic Viability

**Strategic Initiative:**
Expand Arizona’s border region's economic viability and impact to the state’s economy.

**Goal 2.1:**
Partner on a cross border-targeted business attraction and industry development.

**Strategies:**
1. Implement a border community targeted industry recruitment and business development strategy.
2. Develop a supply chain and services attraction program that takes advantage of the strategic location to the large numbers of Sonoran maquiladoras.
3. Develop a binational aerospace target industry strategy that includes participation from all border communities.
4. Identify more value-added opportunities through manufacturing of products that originate in the binational region (e.g., produce, mining materials).

**Goal 2.2:**
Marshal economic development tools, resources, policies, and funding to develop border economic sustainability.

**Strategies:**
1. Aggressively promote foreign trade zones within each of the border counties as an economic development incentive.
2. Explore the establishment of a border-wide special economic zone that includes a funding mechanism similar to an empowerment zone.
3. Work to establish a direct foreign investment program, broader than just Mexico. The EB-5 program may be a good asset to attract more foreign investment within Arizona border communities.
4. Identify capital for business development and work to attract an international lending institution or bank that understands Mexico and can assist with binational projects.
5. Work to get all border communities into the Arizona Commerce Authority’s certified sites program.
7. Work to get all border community organizations Community Development Financial Institution (CDFI) certification by U.S. Department of Treasury as the Nogales Community Development has accomplished in 2012. The certification allows Nogales Community Development to become a nationally chartered lending institution fulfilling gaps in local lending.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

**Goal 2.3:**
Partner on retention and expansion of existing cross-border industry sectors.

**Strategies:**
2.3.1 Develop a business survey that includes a set of common questions that all border communities ask and is implemented on both sides of the border.

2.3.2 Work to expand and eliminate obstacles to the existing logistics and distribution industry within Arizona’s border communities and communicate the economic value this industry sector has to the state.

2.3.3 Continue to expand Arizona’s strength in agriculture, agri-business, and all types of produce by removing obstacles to growing this industry, addressing industry challenges (e.g., workforce skills and border wait times), promoting agriculture diversification by developing value-added crops, and fostering innovation.

**Goal 2.4:**
Foster entrepreneurship and innovation.

**Strategies:**
2.4.1 Work to establish incubators or innovation centers in each border community similar to the Foxworth Training Center in Nogales.

2.4.2 Continue to foster economic development and education partnerships (e.g., Innovation Frontier Arizona) and collaborate to directly link curriculum and training to build a more knowledgeable, educated workforce.

**Goal 2.5:**
Work to strengthen retail development and tourism attractions.

**Strategy:**
2.5.1 Identify and promote the binational cultural, retail, and tourism attractions within Arizona’s border communities.

2.5.2 Work with retailers to host shopping events at retail establishments geared to the Mexican shopper to increase retail sales. Arizona Office of Tourism, Tucson, and shopping malls/major stores have retail attraction strategies targeted to Mexican nationals.

2.5.3 Support local efforts to strengthen tourism businesses and infrastructure in all of Arizona’s border communities’ historic downtown areas.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

Improve Border Community Image

**Strategic Initiative:**
Improve the image and build awareness of the positive impact to Arizona of an economically-strong border region.

**Goal 3.1:**
Quantify and maintain border region economic and quality-of-life indicators.

**Strategies:**
3.1.1 Collectively, Arizona border communities should design and implement a program that can consistently measure the livability and economic sustainability of Arizona border communities.

3.1.2 To build recognition of accomplishments, Arizona’s border communities should pursue award programs for projects, accomplishments, and activities in order to be able to promote the positive activities occurring within the region.

3.1.3 The Arizona-Mexico Commission working with border communities should promote the positive stories about achievements.

**Goal 3.2:**
Develop and communicate a consistent border region brand and messaging.

**Strategies:**
3.2.1 Develop and implement a strategy that showcases individual community assets as well as Arizona’s border region collectively. Proactively take the lead in changing the dialogue around border community assets and economic opportunities.

3.2.2 Identify and promote Arizona-Mexico strategic advantages and communicate them consistently by incorporating testimonials from existing businesses operating along the border.

3.2.3 Develop targeted messages to different audiences within an overall consistent Arizona border communities’ economic development message.

3.2.4 Develop succinct messages about the economic viability of Arizona’s border communities to generate a better understanding by groups such as legislative and congressional leadership as well as private sector investors.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

**Goal 3.3:**
Recognize in statewide marketing and planning that Arizona’s border communities are important to the state’s overall economy.

**Strategies:**
3.3.1 Ensure that border communities are included in statewide marketing and promotional efforts by state agencies such as the Arizona Office of Tourism and Arizona Commerce Authority.
3.3.2 Identify potential champions and arm them with concise information and messages about the economic opportunities in border communities and trade with Mexico.
3.3.3 Conduct more tours and site visits to border communities to show the variety of economic assets and how these assets will multiply if issues such as border wait times and infrastructure are solved.

**Strengthen Relationships and Foster Collaborations**

**Strategic Initiative:**
Expand and strengthen relationships that drive Arizona’s economic initiatives.

**Goal 4.1:**
Develop public/private relationships that can address border communities’ economic initiatives.

**Strategies:**
4.1.1 Work to establish a binational public/private business alliance that can work to address border communities’ initiatives.

**Goal 4.2:**
Implement economic development strategies that fully integrate the Arizona-Sonora border.

**Strategies:**
4.2.1 Encourage Sonora to implement a process and planning effort that mirrors the Arizona Border Communities Roadmap.
4.2.2 Foster and facilitate a stronger economic development partnership and better communication related to common economic development goals between Arizona and Sonora border communities.

**Goal 4.3:**
Facilitate cross-border regional communications and foster collaborations.

**Strategies:**
4.3.1 Create a cross-border strategic communications plan targeted at promoting regional community and economic development assets.
4.3.2 Identify potential cross-border projects (e.g., the U.S.-Mexico International Wine Trail) and participate in the strategic planning/implementation.
Leading the Way Toward Economic Prosperity for Arizona’s Border Communities

4.3.3 Address policy implications that hinder cross-border collaboration.

4.3.4 Work to gain a full understanding of cross-border educational resources and programs. Establish a strong binational relationship between community colleges and universities as well as non-traditional educational opportunities.

4.3.5 Promote the full range of educational opportunities within border communities and strengthen the linkage to economic opportunity.

4.3.6 Work to strengthen the economic connection between the Arizona border communities, Mexico, Tucson, the Sun Corridor, Sierra Vista, and the rest of the state.

Focus on Border Infrastructure that Links Border Communities to Key Commerce Corridors and Promotes Global Connectivity

Strategic Initiative:
Build border infrastructure to enhance Arizona’s global competitiveness and connectivity, addresses border communities’ economic development goals, and maximizes the return on investment.

Goal 5.1:
Prioritize infrastructure improvements that address economic development priorities and enhance the border’s global connectivity.

Strategies:
5.1.1 Work with public/private entities such as the Digital Arizona Council (DAC) and Arizona Department of Administration’s Arizona Strategic Enterprise Technology (ASET) office to develop state-of-the-art high-speed digital infrastructure in Arizona border communities.

Goal 5.2:
Implement a border region comprehensive, integrated transportation system (i.e., roads, port of entry, rail, and airports).

Strategies:
5.2.1 Implement the Arizona-Sonora Border Master Plan that identifies specific, prioritized transportation infrastructure projects.

5.2.2 Work with western partners on establishing a super highway trade corridor in Arizona that connects the three countries – U.S., Mexico, and Canada.

5.2.3 Pursue binational rail improvements and solutions to the railroad issues in Nogales.

5.2.4 Develop border crossing benchmarks for wait times, etc. that meet or exceed the highest-performing border crossings along the U.S.-Mexico border.

5.2.5 Work to identify and support new funding strategies (regional and statewide) to address integrated and comprehensive transportation needs in Arizona border communities.
# ACRONYMS/DEFINITIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ASET</td>
<td>Arizona Strategic Enterprise Technology (Arizona Department of Administration)</td>
</tr>
<tr>
<td>Border TEC</td>
<td>Border Technology and Evaluation Center at the University of Arizona</td>
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<tr>
<td>CANAMEX</td>
<td>Canada-Mexico (Corridor linking Canada and Mexico)</td>
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<td>CNIMME</td>
<td>National Council for the Maquila Industry of Mexico</td>
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<td>CBP</td>
<td>U.S. Customs and Border Patrol</td>
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<tr>
<td>CDFI</td>
<td>Community Development Financial Institution – A certified CDFI is a specialized financial institution that works in market niches that are underserved by traditional financial institutions.</td>
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<tr>
<td>DAC</td>
<td>Digital Arizona Council</td>
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<tr>
<td>EB-5</td>
<td>Employment-Based Immigration: Fifth Preference – U.S. Citizens and Immigration Service (USCIS) administers the Immigrant Investor Program, also known as “EB-5,” created by Congress in 1990 to stimulate the U.S. economy through job creation and capital investment by foreign investors. Under a pilot immigration program first enacted in 1992 and regularly reauthorized since, certain EB-5 visas also are set aside for investors in Regional Centers designated by USCIS based on proposals for promoting economic growth.</td>
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<tr>
<td>FAA</td>
<td>Federal Aviation Administration</td>
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<td>FHWA</td>
<td>Federal Highway Administration</td>
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<tr>
<td>Ferromex</td>
<td>Ferrocarriles Mexicanos – One of the two largest Mexican railways</td>
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<tr>
<td>FTZ</td>
<td>Foreign Trade Zone – A designated zone where duty-free treatment is accorded items that are re-exported and duty payment is deferred on items sold in the U.S. market, thus offsetting advantages available to overseas producers who compete with produces located in the U.S.</td>
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<tr>
<td>GED</td>
<td>General Education Degree</td>
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<tr>
<td>GSA</td>
<td>General Services Administration</td>
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<tr>
<td>Maquiladoras</td>
<td>Twin plant manufacturing program with production facilities usually straddling the U.S.-Mexican border.</td>
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<tr>
<td>MCAS</td>
<td>Marine Corps Air Station - Yuma</td>
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<tr>
<td>MEDC</td>
<td>McAllen Economic Development Corporation (in McAllen, Texas)</td>
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<tr>
<td>NAICS</td>
<td>North American Industry Classification System</td>
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<tr>
<td>REDCO</td>
<td>Regional Economic Development Corporation (in El Paso, Texas)</td>
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<tr>
<td>STEAM</td>
<td>Science, Technology, Engineering, Agriculture and Aerospace, Math (Yuma educational curriculum)</td>
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<tr>
<td>SENTRI</td>
<td>Secure Electronic Network for Travelers Rapid Inspection – Provides expedited U.S. Customs and Border Patrol processing for pre-approved, low-risk travelers across the border.</td>
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<tr>
<td>SAMC</td>
<td>Southeast Arizona Medical Center</td>
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<tr>
<td>TREO</td>
<td>Tucson Regional Economic Opportunities (Regional economic development organization)</td>
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<tr>
<td>UAS</td>
<td>Unmanned Aircraft System</td>
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<td>WIRED</td>
<td>Workforce Innovation in Regional Economic Development</td>
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<tr>
<td>YPIC</td>
<td>Yuma Private Industry Council</td>
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<td>YPG</td>
<td>Yuma Proving Grounds</td>
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Douglas Industrial Development Authority  Douglas Regional Economic Development  Donelson Consulting, LLC
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