



**Office of the Secretary of State
Border Commerce Coordinator Report 2015**

**Carlos H. Cascos
Secretary of State**

INTRODUCTION

Texas and Mexico share a 1,254 mile border and are also connected by commerce, language and family. Since NAFTA was implemented in 1994, Mexico has become our number one trading partner and for Mexico, Texas has become their number one trading partner. Roughly one-third of Texas' citizens can trace their lineage to our southern neighbor. ¹These strong ties are further manifested by sister city relationships between Texan and Mexican cities, and over 25 international points of entry (POEs). While borders are often thought of as points of distinction and division, they also serve as points of connection and commonality. The Texas-Mexico border is a place where the past, present and future of two neighbors are intertwined in a story of close ties and economic cooperation. It is not so much a barrier as it is a 1,254 mile bond that joins us together through our parallels. This shared border is truly an epicenter of commerce, opportunity, and prosperity.

As previously noted by Governor Greg Abbott in September 2015, “[i]n 2014, Texas exported more than \$100 million in machinery, technology and other commodities, about 35% of the state’s total exports. These exports sustain tens of thousands of small- and medium-sized businesses in Texas and more than 1.1 million jobs. We also imported more than \$90 billion of goods from our southern neighbor last year.”¹ This amount of trade plays an important role in the economic prosperity of our state as a whole. There are many economic benefits of international trade at the national, state and local levels, and it is important to continue developing mechanisms to foster dialogue between Texas and Mexico.

Since late August 2015, Secretary Cascos has served as the Border Commerce Coordinator (the “BCC”), pursuant to Section 772.010 of the Texas Government Code.

The role of the Border Commerce Coordinator is to serve as a medium for communication and coordination of border initiatives between local officials, state agencies, and the federal governments of the United States, Mexico and Canada. The Secretary of State fulfills additional roles including Chief International Protocol Officer for the State of Texas, Presiding Officer of the Border Trade Advisory Committee, and the Governor’s Chief Liaison to Mexico and the Border Region of Texas.

Texas has taken a new stand in today’s global economy; as of 2014, it is the 12th largest economy in the world – ahead of Australia and behind Canada.² There’s no doubt that Texas has benefited significantly from utilizing an extensive network of public, diplomatic and corporate entities to facilitate the creation of commercial opportunities. Under the leadership

1 Governor Greg Abbott, “Abbott: We Must Strengthen Our Working Relationship With Mexico,” Rio Grande Guardian, September 6, 2015, available <https://riograndeguardian.com/abbott-we-must-strengthen-our-working-relationship-with-mexico/> (last accessed Dec. 30, 2015).

2 See, e.g., “If Texas Were a Nation in 2014,” published June 2015, available <http://gov.texas.gov/files/ecodev/IfTXWereANation.pdf> (last accessed December 30, 2015).

of Governor Greg Abbott and Secretary Cascos, Texas has taken bold and pragmatic steps to create a welcoming business environment for domestic and international companies. Within his first year in office, Governor Greg Abbott has led delegations to Mexico and Cuba to explore potential business synergies and to nurture existent relationships as well as to create new ones.

Texas and Mexico are bound together by a shared history and a blended culture that represents an opportunity for many shared successes now and for the future. The Secretary of State has engaged in the following activities as BCC to foster the relationship and economic ties between Texas and Mexico.

OVERVIEW OF RESPONSIBILITIES AND ACTIVITIES

The duties of the Border Commerce Coordinator (BCC) are outlined in Section 772.010 of the Texas Government Code. That section, as effective September 1, 2015, provides, in relevant part:

- (a) ... The [border commerce] coordinator shall:
- (1) examine trade issues between the United States, Mexico, and Canada;
 - (2) act as an ombudsman for government agencies within the Texas and Mexico border region to help reduce regulations by improving communication and cooperation between federal, state, and local governments;
 - (3) work with federal officials to resolve transportation issues involving infrastructure, including roads and bridges, to allow for the efficient movement of goods and people across the border between Texas and Mexico;
 - (4) work with federal officials to create a unified federal agency process to streamline border crossing needs;
 - (5) work to increase funding for the North American Development Bank to assist in the financing of water and wastewater facilities;
 - (6) explore the sale of excess electric power from Texas to Mexico;
 - (7) study the flow of commerce at ports of entry between this state and Mexico, including the movement of commercial vehicles across the border, and establish a plan to aid that commerce and improve the movement of those vehicles;
 - (8) work to identify problems associated with border truck inspections and related trade and transportation infrastructure and develop recommendations for addressing those problems;
 - (9) work with the appropriate state and federal agencies to develop initiatives to mitigate congestion at ports of entry; and
 - (10) develop recommendations designed to:
 - (A) Increase trade by attracting new business ventures;
 - (B) support expansion of existing and new industries; and
 - (C) address workforce training needs.
- ...
- (c) The coordinator shall work with the interagency work group established under Section 772.011, with local governments, metropolitan planning organizations, and other appropriate community organizations adjacent to the border of this state with Mexico, and with comparable entities in Mexican states adjacent to that border to address the unique planning and capacity needs of those areas. The coordinator shall assist those governments, organizations, and entities

to identify and develop initiatives to address those needs. Before January 1 of each year, the coordinator shall submit to the presiding officer of each house of the legislature a report of the coordinator's activities under this subsection during the preceding year.

(d) The coordinator shall:

(1) work with private industry and appropriate entities of Texas and the United States to require that low-sulfur fuel be sold along highways in Texas carrying increased traffic related to activities under the North American Free Trade Agreement; and

(2) work with representatives of the government of Mexico and the governments of Mexican states bordering Texas to increase the use of low-sulfur fuel.

(e) The coordinator shall appoint a border mayor task force, to be named the Texas Good Neighbor Committee, consisting of the mayors from every municipality located in this state along the border between Texas and Mexico that has an adjoining sister city in Mexico. The task force shall:

(1) Advise the coordinator on key trade, security, and transportation-related issues important to the municipalities appointed to the task force;

(2) Hold quarterly meetings with mayors from Mexico to: (A) increase: (i) cooperation; (ii) communication; and (iii) the flow of information; (B) identify problems; and (C) recommend solutions;

(3) seek assistance and input from private sector stakeholders involved in commerce to identify issues to address; and

(4) to assist the coordinator in carrying out the coordinator's statutory duties.

This report serves as the "report of the coordinator's activities" referenced in section 772.011 (c), and generally updates the legislature on Secretary Cascos' activities as regards his duties as the BCC, outlined in Section 772.010 of the Texas Government Code. The descriptions below are organized by the duties identified in subsections (a), (d), and (e) of Section 772.010. Several of the activities described below involved meetings with officials and stakeholders in the local communities along the border, as required by 772.010(c).

TEX. GOV'T CODE § 772.010(a)(1): Examine trade issues between the United States, Mexico and Canada

Secretary Cascos' activities concerning border and international commerce for 2015 revolved primarily around three strategies aimed at helping the State's efforts in promoting economic development and job creation:

1. Reestablishing a direct line with Mexico's Ministry of Foreign Affairs (SRE) to serve as a medium to address different issues pertaining to trade and border infrastructure and important changes on the region.

2. Learning the current type of border infrastructure that is needed in Texas border cities and the type of investments that have been made by the Mexican government on their border infrastructure.

In April 2015, prior to his appointment as BCC, Secretary Cascos led a delegation from the Office Secretary of State to Mexico City with the purpose of strengthening diplomatic ties with Mexico. During the trip, Secretary Cascos met with different high-level Mexican officials from different departments including: transportation, infrastructure and energy. The trip was hosted by Mexico's Ministry of Foreign Affairs (SRE). In addition, in September 2015, Governor Abbott and Secretary Cascos visited Mexico City.

Transportation and Infrastructure

While in Mexico City in April 2015, Secretary Cascos met with officials from the transportation and infrastructure sectors and was briefed on current border infrastructure projects Mexico is taking on to increase their economic competitive advantage. During this meeting, Mexican officials confirmed the investment of almost \$40 million dollars distributed equally between the cities of Ojinaga and Acuña. In addition, one of the largest projects Mexico has taken in the past few decades was the construction of the "Ruta 40" or the Interoceanic Highway – connecting the Pacific coast of Mazatlán to the Rio Grande Valley.

According to a report published by the Centre for North American Studies of Texas A&M University in December 2015:

In 2014, The United State imported \$9.6 million of fresh and frozen produce, including fruits, vegetables and nuts from Mexico, with more than 98 percent entering the United States by land ports between Mexico and Texas, Arizona, New Mexico and California... Over the past decade, Texas land ports have experienced a large increase of produce imports from Mexico, 71 percent from 2007-2014. About 47 percent of U.S. fresh fruit and vegetable imports worth \$4.2 million entered through Texas land ports, which arrived in 172,648 truckloads. Arizona is second with 35 percent followed by California and New Mexico with 16 and 2 percent, respectively. In 2010, Texas surpassed Arizona as the largest state of entry for Mexican fresh produce. Moreover, if current trends continue, the Pharr Bridge in South Texas could become the single largest U.S. port of entry from imports of Mexican fresh produce.³

These types of growth continue to be consistent across the Texas-Mexico border due to the geographical connectivity and the demand exerted by the U.S. consumer market.

Currently, the Secretary of State's Office ("SOS") and the Texas Department of Transportation are working closely to increase dialogue and participation in bilateral meetings.

The following are current initiatives where Secretary Cascos has been involved to address trade issues with Mexico.

1. SOS is currently working with the cities of San Benito and Harlingen, and Cameron County, to build a cold room in the Los Indios Bridge, in an effort to attract produce

³ Luis Ribera and Flynn Adcock, "Increase in U.S. Imports of Fresh Produce from Mexico," CNAS Issue Brief 2015-03, December 2015. Available <cnas.tamu.edu/CNAS%20Produce%20Inflow%20from%20Mexico.pdf (last accessed December 30, 2015).

traffic from the Pharr Bridge. Crossing times in Pharr are up to seven hours, with almost five thousand trucks crossing daily, while there are less than one hundred crossings in the Los Indios Bridge on a daily basis, which is only thirty minutes away. This would give fresh produce transporters options and help alleviate long crossing times in the area.

2. Due to the expansion of the Panama Canal, SOS is expecting an increase in traffic arriving to multiple ports in Texas. Currently, SOS is connecting Brownsville Port officials with Mexican developers that are interested in dredging the Port of Brownsville. These developers have carried out similar projects on major ports in Mexico. Through this initiative, the Port of Brownsville will be able to receive super tankers creating major economic opportunities for the area and Texas as a whole.

Energy

One of the most historical changes Mexico has made in the last few decades in its constitution is the “Reforma Energetica,” or energy reform. In 2013, President Enrique Peña Nieto and his administration took steps to allow foreign direct investment (FDI) in Mexico’s energy sector. The reform not only focuses in oil and gas but encompasses renewable energy, pipeline, and their electric grid infrastructure.

Currently, Texas is the largest exporter of natural gas to Mexico, increasing the interest of bilateral investment in our region. During Governor Abbott and Secretary Cascos’ visit to Mexico in September 2015, the Ministry of Energy (SENER) presented an overview of the reform and expressed the importance of these initiatives for Mexico’s economy and the region.

At the end of the September 2015 visit to Mexico, the creation of a bilateral taskforce between Texas and Mexico was announced for the purpose of understanding Mexico’s new regulatory environment and structure. SOS expects that this taskforce will increase bilateral dialogue and mutual collaboration on regulatory issues and bilateral investment in the energy sector.

Texas-Canada diplomatic relationships

On April 1, 2015, Secretary Cascos met with the Consul General of Canada, Sara Wilshaw. They discussed Texas-Canada trade and ways to expand the relationship between the two. In 2014, the total trade between Texas and Canada amounted to over \$48.5 billion. They also discussed crossings, in particular truck crossings, passing through Texas going to Canada. During their meeting, the Consul General extended an invitation to the Secretary to visit Canada with the primary focus of touring Canadian ports of entry.

We expect that Secretary Cascos will lead a delegation to Canada sometime in 2016.

TEX. GOV’T CODE § 772.010(a)(2): Act as an ombudsman for government agencies within the Texas and Mexico border region to help reduce regulations by improving communication and cooperation between federal, state, and local governments;

The U.S.-MX Bi-national Bridges and Border Crossings Group (BBBX) focuses on proposed international bridges and border crossings, the status/needs of current border crossings facilities

and transportation access. There are a total of 29 international bridges and border crossings connecting Texas and Mexico.

The group was formed in 1981 and is composed of delegations from the federal and state governments of the United States and Mexico. The Coordinator for U.S.-Mexico Border Affairs of the U.S. Department of State (DOS) chairs the U.S. delegation, and the Director for North American Affairs of the Ministry of Foreign Affairs (SRE) chairs the Mexican delegation.

The group meets throughout the year. They have two regional meetings and one plenary meeting in which representatives from the U.S. and Mexico border meet to discuss proposed bridges and border crossings, and their related infrastructure, and to exchange technical information so that those projects, which the federal governments of both countries deem beneficial, may complete the approval process of the two respective governments. Related issues such as toll roads and other infrastructure projects are discussed, as well as operational matters involving existing and future crossings.

The Texas-New Mexico regional meeting of the BBBX was held in Austin on February 4-5, 2015. Attendees included federal and state officials from Texas, New Mexico, and the Mexican states of Tamaulipas, Nuevo Leon, Coahuila, and Chihuahua. A representative of the Office of the Secretary of State was also present..

TEX. GOV'T CODE § 772.010 (a)(5): Work to increase funding for the North American Development Bank to assist in the financing of water and wastewater facilities;

Since 1999, the Secretary of State's Colonia Initiatives program has been instrumental in the facilitation, coordination and implementation of water and wastewater services to colonia residents along the U.S.-Mexico border. It is through strong partnerships with funding agencies that many projects have come to fruition.

Two of the most important agencies are the North American Development Bank (NADB) and its sister institution, the Border Environment Cooperation Commission (BECC). Since its initiation, the NADB has allocated several millions of dollars in U.S. projects and continues to allocate necessary funding that benefits colonia residents in Texas. Prime examples of this vital funding are the current allocation of \$1.9 million dollars in Hidalgo County, which will fund a main line and service connections for approximately 58 homes with an approximate population of 232. In Cameron County, the NADB is providing \$3.7 million for service connection in several colonias, which consist of approximately 500 homes with an approximate population of 2,000.

The NADB/BECC continues to be an integral part of successful projects that improve the lives of many Texans in need. SOS will continue its collaboration and continuing partnership through the Colonia Initiatives Program.

TEX. GOV'T CODE § 772.010 (a)(6): Explore the sale of excess electric power from Texas to Mexico;

During Secretary Cascos' first visit to Mexico in April 2015, the Ministry of Energy (SENER) presented the current exchanges of electric power between border cities, such as the city of El Paso and the city of Juarez. At the time of the meeting, the exchanges were valued around \$20 million dollars. Currently, SOS, in collaboration with the Office of the Governor, is discussing with Mexico the bilateral energy taskforce announced during the Governor's trip to Mexico. We expect that the sale of excess electric power from Texas to Mexico will be addressed as a major topic of interest between the two parties.

(a)(3) Work with federal officials to resolve transportation issues involving infrastructure, including roads and bridges, to allow for the efficient movement of goods and people across the border between Texas and Mexico;

(a)(4) Work with federal officials to create a unified federal agency process to streamline border crossing needs;

TEX. GOV'T CODE § 772.010 (a)(7): Study the flow of commerce at ports of entry between this state and Mexico, including the movement of commercial vehicles across the border, and establish a plan to aid that commerce and improve the movement of those vehicles;

TEX. GOV'T CODE § 772.010 (a)(8): Work to identify problems associated with border truck inspections and related trade and transportation infrastructure and develop recommendations for addressing those problems;

TEX. GOV'T CODE § 772.010 (a)(9): Work with the appropriate state and federal agencies to develop initiatives to mitigate congestion at ports of entry;

In November 2015, a delegation from SOS and the International Office of the Texas Department of Transportation conducted a border tour, at the suggestion of Secretary Cascos. The delegation visited the following border cities: El Paso, Presidio, Del Rio, Eagle Pass, Laredo, McAllen, and Brownsville. During the tour, the delegation met with county and city officials of every respective city and with their Mexican counterparts, Juarez, Ojinaga, Acuña, Piedras Negras, and Nuevo Laredo. The Ministry of Foreign affairs helped and facilitated the attendance of Mexican mayors and members of Mexico's department of transportation and customs.

The topics that were discussed in every meeting were the following:

Agenda Topics

1. Brief history of the crossing and its impact on the community.
2. Describe the commerce and traffic at this crossing.
 - a. Types of products that cross
 - b. Value of products
 - c. Number of crossings per day (POV/Commercial/Pedestrian)
3. What challenges does this crossing have?
4. What are the improvements that are needed to address the challenges?
5. What are your plans for improvements in the
 - a. Short-term
 - b. Mid-term
 - c. Long-term

6. What are the types of funding that you may have access to for projects?
 - a. P3s
 - b. Grants
 - c. Federal funds
 - d. Local funds
 - e. Other

Every city had an opportunity to present and discuss their needs and challenges and how they are addressing these. The Office of Secretary of State and TxDOT's International Office are currently drafting a report of this 2015 Border Tour. We expect to complete this report after all the data of 2015 has been submitted by all TxDOT districts.

The following issues will be addressed in the report as well as recommendations to increase trade with Mexico:

- problems associated with border truck inspections and related trade and transportation infrastructure; and will develop recommendations for addressing those problems;
- Outline a plan to work appropriately with state and federal agencies to develop initiatives to mitigate congestion at ports of entry;
- Develop a biennium strategy to develop recommendations designed to:
 - (A) Increase trade by attracting new business ventures;
 - (B) Support expansion of existing and new industries; and
 - (C) Highlight and give the Texas-Mexico border a more competitive advantage against other U.S. border states.

TEX. GOV'T CODE § 772.010(d)The coordinator shall appoint a border mayor task force, to be named the Texas Good Neighbor Committee, consisting of the mayors from every municipality located in this state along the border between Texas and Mexico that has an adjoining sister city in Mexico:

On December 17, 2015, the BCC hosted the first meeting of the Texas Good Neighbor Committee. Texas and Mexico border city mayors were in attendance. The meeting was primarily an instructive one where members of the committee could initially agree on a second meeting and present issues to discuss in future meetings. Mexico was represented by the acting Consul General of Mexico in Austin and Mexican representatives. *See attached agenda and attendees list.*

At the conclusion of the meeting, committee members agreed that the second meeting will be held in Austin during the first quarter of 2016.

Other Duties

In the roughly four months since becoming BCC, and in the just over three months since SB 1389, which amended Section 772.010 of the Texas Government Code, became effective, as well as prior to those times in his capacity as Secretary of State, the BCC has actively fulfilled various

of his statutory roles as respects border issues. In 2016, SOS looks forward to continuing to fulfill those roles, as well as filling remaining roles in subsections (a)(10), (d)(1), and (d)(2) of Section 772.010, as well as working with the other agencies in the interagency workgroup established in Section 772.011, as provided in (c).

CONCLUSION

The border region plays an important role in efforts to foster a superior business climate in Texas. Texas and Mexico are united by a shared goal of economic success and the benefit that this success ultimately brings to the collective region. There are many unique characteristics, needs and challenges associated with this region. The border should not be seen as a barrier, but as a place of mutual respect, cooperation and shared opportunity.

Together, Texas and Mexico should continue to address common challenges and explore shared opportunities that benefit communities on both sides of the border. The border region is our gateway to the future – the front door of Texas where “opportunity comes knocking,” and together, both partners can continue to compete and succeed in the global marketplace.

Encouraging constructive dialogue that leads to economic growth is an important part of working with federal, state and local officials on both sides of the border.

Texas is competing internationally for jobs and economic development activities and must remain committed to seizing opportunities to bolster international investment in Texas. Maintaining a business-friendly environment that continues to attract companies and supports innovation and competitiveness helps ensure the continued prosperity of Texas.

As states and nations vie for the attention of employers and capital investment, Texas must work to enhance our already strong competitive position. Business leaders continue to work with the public and private sectors to identify opportunities to maintain and enhance Texas’ economic edge and competitive position in the global marketplace. Continuing to promote commerce, opportunity and prosperity along the border enhances and secures Texas’ sustained position as an economic leader.