

Foreign investment: U.S. border towns



Area Development Site and Facility Planning

November 1, 2003 | Bastian, Lisa A

HEAVYWEIGHTS When it comes to foreign investment, which locations are showing some muscle?

Since the creation of NAFTA, cities located along the northern and southern borders of the United States have developed relationships with sister cities in Canada and Mexico, making free-trade across the border even easier.

For a variety of reasons - from cutting labor and operational costs to accessing foreign suppliers to reaching new markets - companies opt to establish operations on foreign soil. Much of this foreign direct investment is concentrated in our neighbors to the north and south, Canada and Mexico. The Caribbean has also attracted its fair share of foreign investment. Of course, the huge and now expanding EU market has made Europe a big draw for FDI as well.

The articles that follow point to some of the successes of these regions. NAFTA, which has created a powerful free-trade zone among the U.S., Canada, and Mexico, has led to the establishment of some "sister-city" relationships along the borders. The Caribbean has turned out to be more than a mecca for tourists, luring telecommunications operations and others. And investors are looking at the "new Europe," i.e., central and eastern countries, along with the traditional trading partners in western Europe. Automakers, in particular, are looking at sites in central and eastern Europe in order to be near suppliers located in these nations.

The sponsors of this special report are featured throughout in closer detail. Use the reader service card in the back of this issue to obtain more information from these organizations.

Almost 10 years have passed since NAFTA created a powerful free-trade zone unlike any on the planet. At the center of this mighty economic force are hundreds of "sister cities" located along the borders of the United States and Canada, and the United

States and Mexico.

For U.S. companies seeking to expand markets or operations into another country, "quite often it's easier to do so at a border town," says Woody Hydrick, senior consultant with Fluor Global Location Strategies in Greenville, S.C. "Advantages often boil down to cost advantages," he points out. Major cost advantages for Mexico include cheaper labor and lower corporate income tax rates. In Canada, distinct benefits include the Canadian dollar's exchange rate, plus "a place that speaks English fluently and looks a lot like the U.S."

Many border towns do an especially good job accelerating trade between the trio of countries. A review of some of these locales indicates that they will be vital to the continent's economic prosperity for decades to come.

FAST, SAFE

U.S.-Canada Trade ACTION

The United States and Canada enjoy the largest trading partnership in the world, which supports more than two million jobs in each sovereign state. Trade between them impacts 25 percent of the American economy and 60 percent of the Canadian economy. The United States sells almost three times as many goods to its northern neighbor (market of 30 million people) as to Japan (market of over 125 million). Moreover, Canada is a larger market for U.S. goods than all European Union member nations combined.

"There is a very healthy relationship [between these two nations] at all levels, and no question [that] they've improved and enhanced trade capability and cooperation since September 11," says Jim Phillips, president/CEO of the CAN/AM Border Trade Alliance based in Lewiston, N.Y. CAN/AM, representing 60,000 organizational members, is the only bi-national, transcontinental group dealing with trade, transportation, and border-management issues along the 5,525-mile border.

In December 2001, the United States and Canada signed the Smart Border Declaration. Its goal is to create a seamless system that allows factory-produced goods to move quickly and securely across the border. New, shared technologies are key to making this happen. "They've had all kinds of workable plans, but up until 2001, [they] didn't have the money to implement them," says Phillips. But post-September 11, both governments committed funds for the "staff, technology, facilities, and equipment," allowing fulfillment of the twin goals to promote public security and protect the economy, he explains. Amazingly, \$1 million of services and goods cross the border every minute, or \$1.5 billion a day, which translates into more than \$500

billion a year."

There are 128 border crossings - and no fence - between the United States and Canada. About 20 of the crossings account for 90 percent of transborder activity, and the busiest crossings traverse water boundaries. Approximately 27 percent of American-Canadian trade is conducted at the Detroit, Mich., and Windsor, Ontario, border crossing, where daily shipments average at least \$400 million. It's no surprise that Canada is also Michigan's largest trading partner. It bought about 60 percent of the state's exports in 2000.

Both cities are renowned as centers for advanced automotive manufacturing technology, with Detroit shining bright as the automotive capital of the world. Windsor is a major link in the NAFTA trade corridor, connecting Toronto and Montreal to key markets throughout the Americas. Like Detroit, Windsor is also home to the Big Three auto manufacturers. More than 500 manufacturers in the auto industry have a presence here and represent nearly 15 percent of Canada's auto jobs.

A big draw for Windsor is its outstanding educational facilities, including the University of Windsor, a research-focused Centre of Excellence; Daimler Chrysler's automotive R&D center, recently infused with \$500 million; and the new Ford Centre for Excellence in Manufacturing, opening this year.

About 35 percent of U.S./Canadian trade - representing \$81 billion annually - moves across six international border crossings spanning the Niagara River. The four major metro areas along the river are Buffalo, N.Y., and its sister city Fort Erie, Ontario; and Niagara Falls, N.Y., and Niagara Falls, Ontario. Another key crossing in this locale teams up Lewiston, N.Y., with Queenston, Ontario.

Estimates show that this regional trade volume grows 20 percent annually, with 70 percent of goods moved by truck. Three nearby airports provide modern air cargo services: The Buffalo Niagara International Airport; the Niagara Falls International Airport (with an adjacent free-trade zone); and the Hamilton International Airport-Canadian. Trade is enhanced by the deep-water Port of Buffalo and by a strong rail system network linking ports on the Atlantic, Pacific, Gulf of Mexico, Great Lakes, and St. Lawrence Seaway.

Located an hour from Detroit, Sarnia, Ontario, is paired with Port Huron, Mich. The area is renowned for its transportation links, namely the St. Clair Rail Tunnel and the Blue Water Bridge. The latter provides quick access between the Midwest and Ontario as well as the northeast United States.

Only 25 miles from downtown Vancouver, Blaine, Wash., is the fourth-busiest commercial truck crossing point and third-busiest passenger vehicle crossing. Blaine's major transportation artery is the Pacific Highway, one of four Washington State-British Columbia crossings making up Canada's "Cascade Gateway." The other entry points are Peace Arch, Lynden/Aldergrove, and Sumas/Huntingdon.

According to The Greater Vancouver Transportation Authority 2002 annual report, approximately 1,850 trucks arrive in Canada from Pacific Highway crossings every day. Overall, commercial truck traffic has increased more than 80 percent through the Cascade region since NAFTA took effect in 1993.

A binational coalition of more than 50 public/private groups in Canada and the United States has joined together to form The International Mobility & Trade Corridor Project (IMTC). The goal of IMTC is to improve mobility through the Cascade Gateway by identifying joint projects and then cooperatively securing money for a number of transportation and security projects. Thus far, these endeavors have been funded by the U.S. Federal Highways Administration, Washington State Department of Transportation, Province of British Columbia, Transport Canada, B.C. TransLink, and local border municipalities.

The next tier of trade-active border towns includes metro pairs Champlain, N.Y., and Lacolle, Quebec; Sweetgrass, Mont., and Coutts, Alberta; Pembina, N.D., and Emerson, Manitoba; Alexandria Bay, N.Y., and Lansdowne, Ontario; Derby Line, Vt., and Stanstead, Quebec; Highgate Springs, Vt., and St. Armand/Philipsburg, Quebec; and Portal, N.D., and North Portal, Saskatchewan.

A significant outcome of the Smart Border Declaration is the joint Free and Secure Trade program (FAST), presently available at the six highest-volume border crossings. It allows low-risk companies (pre-registered importers, carriers, and drivers) to expedite movement of low-risk shipments in either direction across the border. While FAST will expand to six other high-volume commercial crossings this December, plans call for all major crossings to implement the program by the end of 2004. Phillips approves of FAST and its ability "to quickly clear the 95 to 98 percent of people who are low risk."

BORDER TOWNS

Modernize Mexican REGIONS

The 2,000-mile boundary between the United States and Mexico is the only area in the world where a developed nation meets and interacts with a developing one. Both external influences and internal developments on both sides of the border have

positively shaped this narrow strip of border land in economic and social contexts.

San Diego, Calif., and Tijuana, Baja California (Mexico), are trading partners that share an important infrastructure of busy seaports, airports, rail, and highways, plus a common Colorado River water source. They also make up the world's busiest border crossing.

There are myriad economic development advantages to being the border location closest to trade-hungry Pacific Rim nations. For example, Sony, Samsung, Toshiba, and Panasonic have a presence in San Diego's free-trade zone. More than 1,500 acres of finished, industrial land found on seven sites have been pre-approved for the zone's use.

Maquiladora activity is robust in Tijuana. For example, Baja California is the capital of world television production, "and is making good progress in terms of integrating local technology," explains Hector Vanegas, Special Projects Director for Binational Planning and Coordination, San Diego Association of Governments. "Currently, Baja California is building new power plants and LNG facilities that will ensure the energy supply in California." The region is developing new economic clusters, too, as evidenced by the Toyota plant being built in Tijuana.

Besides the manufacturing plants in Mexico, many companies have also established administration or operations facilities in San Diego County. A few firms with "twin" plants in the San Diego region include Honeywell Inc.; Hyundai Precision America, Inc.; Kendall Pioneer Speakers Inc.; Casio Manufacturing Corp.; Hitachi Home Electronics of America, Inc.; NSK Safety Technology Inc.; Samsung Electronics Co.; and Sanyo North America.

Located in the geographic center of the U.S.-Mexico border, El Paso is the fourth-largest city in Texas and the seventeenth-largest in America. Together with its sister city Ciudad Juarez in Chihuahua, it forms the largest metro area on the border. Almost 100 Fortune 500 firms operate in the region, which provides easy access to two international airports, two interstate highways, four international ports of entry, and three rail-service providers.

Companies flock here due to the many benefits contributing to its "border town" success. They include two foreign-trade zones (15 sites), enterprise zone tax incentives, the Freeport exemption (no inventory taxes on goods for up to 175 days), one of the lowest franchise taxes in the United States, no personal income tax, tax abatement programs, and waivers of the state sales and use tax on manufacturing equipment. In addition, El Paso is in a right-to-work state with low (6 percent)

unionization.

Moreover, the Texas Manufacturing Assistance Center, the Advanced Technology Center at El Paso Community College, and the University of Texas at El Paso are three of the key education and training facilities supporting corporate activities.

The area encompassing McAllen, Texas, and Reynosa, Mexico, has become a dream site for firms looking to establish border operations due to its large, young, trainable labor force and exceptional business opportunities created by the region's rapid growth. The McAllen metro area has the largest population in south Texas, and when combined with Reynosa the population exceeds 1.7 million. McAllen is also the cultural, retail, banking, and healthcare center of the Rio Grande Valley. In addition, one of America's few tri-sister partnerships exists between these two cities and St. Laurent, Canada.

Between January 1988 and September 2003, 195 new companies set up operations in McAllen and 234 in Reynosa. More than 30 years of experience in cross-border trade and the proximity to the principal manufacturing plants and emerging new markets in Mexico and Central and South America are the main attractions. No surprise, then, that the McAllen MSA is home to nearly 100 Fortune 500 company operations. The McAllen Foreign-Trade Zone operates as one of the nation's most active zones and has become a key player in warehouse/distribution/logistics services with more than 600,000 square feet of space available for leasing.

Reynosa maquiladoras produce a broad range of goods, from televisions, automotive seat belts and components, computer chips, and women's intimate apparel, to brass and steel valves, office furniture, radios, fiberoptic cable, and cell phones. More than 40 percent of the maquiladoras are automotive suppliers with the ability to ship both north and south in an efficient time-frame that allows for lean and JIT manufacturing. Maytag, General Electric, Black & Decker, Whirlpool, and U.S. Marine are among the well-known U.S. firms located here.

This region of more than one million residents has attracted many of the world's largest manufacturing firms thanks to its decades-long expertise in U.S.-Mexico trade. More than 150 plants can be found on both sides of the river, employing more than 75,000 workers. While electronics, automotive components, and metalworking are traditional key industries, consumer durable goods, medical equipment, and paper products are also attracted to the area.

Civic pride is stronger this year in Laredo, Texas, since the news came out that it ranked seventh on the index of America's "Best Performing Cities," an annual rating

computed by the Milken Institute, a nonprofit economic think tank. This success is directly tied to its relationship with Nuevo Laredo, Tamaulipas. More than 3,000 trailers and 1,500 rail cars cross every day between the twin cities, separated only by the Rio Grande.

Known as America's most important "Gateway to Mexico," the region boasts the largest inland port on the border and has become one of the country's fastest-growing metro areas. Since 2002, new businesses representing the retail sector alone created more than 1,100 new jobs and pumped more than \$36 million into the local economy.

An estimated 80 percent of U.S.-Mexico traffic goes through Texas, with about a third of that through Laredo. In fact, the city's Customs District handles more trade than the combined efforts of busy ports in Southern California, Arizona, New Mexico, and west Texas.

Geographically, Laredo is the only U.S.-Mexico border city blessed by a convergence of major land transportation systems. Mexico's key highway and its railroad line that moves goods from Central America up through Mexico City, Saltillo, and Monterrey merge here and continue on to meet major U.S. rail lines, Interstate 35, and other roads. From this point it is very easy for products to be moved throughout Texas, the northern states, and into Canada.

Recently, the U.S. Transportation Efficiency Act for the 21st Century allocated \$140 million per year to construct high-priority corridors and border crossings for the next five years. When completed, they will create an uninterrupted, 1,700-mile north/south highway system connecting Canada, the United States, and Mexico, called the CANAMEX Trade Corridor. Nogales, Ariz., is the designated gateway to and from Mexico on CANAMEX. This town of 21,000 people shares a name with the adjacent city of Nogales, Mexico, as well as the operation of one of the largest maquiladora programs along the border (with 90-plus plants).

Each year, more than one billion dollars of produce goes through the region. Specifically, from November through April, 1,200 truckloads of crops (most of America's winter supply) drive north across the border into the United States and up into Canada.

Despite all of this, NAFTA is still controversial. While it doesn't seem to have raised eyebrows along Canada's border, it hasn't lessened U.S.-Mexican disputes over immigration, pollution, currency devaluations, and fair wages. However, through many of the commerce-savvy border towns it's created, the United States and Mexico

can be hopeful that those "trading posts" will serve as models for future bi-national relationships.

[Sidebar]

Parque Industrial El Marques

Strategically located in the dynamic state of Queretaro, Mexico, the Marques Industrial Park is an excellent option for world-class corporations looking for a favorable environment for I development. El Marques offers worldwide investors an infrastructure that meets the requirements of a global business; an available work force; fiberoptic telecommunications; triple power circuit energy delivery; treated water; fire protection systems that meet international standards; and a high quality of life.

[Sidebar]

Currently, the Marques Industrial Park is home to seven tenants employing 240 people, but it has the capacity to house 50 international corporations. Within the next seven years, 11,000 new positions and 13,200 indirect jobs are projected for the park. Additionally, the project was designed considering the environment of the region and keeping a perfect balance between architecture and functionality.

The Marques Industrial Park's strategic advantages give it the opportunity to offer world-class corporations the best industrial development opportunity in Mexico. For more information about locating at the park, call (4421-221-6072; visit the El Marques website, www.parqueindustrialelmarques.com; or e-mail contacto@parqueindustrialelmarques.com.

New Brunswick, Canada

Home to 729,500 people, the province of New Brunswick is located in eastern Canada, adjacent to New England and bordering the state of Maine to the southwest.

As a place to live, New Brunswick offers safe neighborhoods, friendly people, affordable housing, and a stimulating environment for live theatre, music and film, fresh and sea water boating, kayaking and whale watching, plus world class hiking, climbing, and national-level sports.

As a place to do business, New Brunswick boasts a competitive, dynamic, and steadily diversifying economy - a happy and productive marriage of traditional, resource-based industries and technology-oriented knowledge-sector enterprises.

New Brunswick is a profitable Canadian base of operations for multinational companies such as UPS, IBM, and McCain, the world's largest producer of french fries.

Business Climate

New Brunswick is a very competitive business location in terms of energy, leased space, payroll, capital investment, and training costs. New Brunswick has safe, clean, and reliable energy from six sources, and it's as much as 75 percent lower in cost than in the United States.

[Sidebar]

Employees in New Brunswick are trained and affordable too. New Brunswick's mandated employer-paid costs average 16 percent of payroll, compared with more than 30 percent in the United States. Basic healthcare costs are funded by the provincial government at no cost to the employer. There is no payroll tax, and input sales taxes are 100 percent refundable for most businesses.

Independent studies on comparative business costs by consultants KPMG and The Boyd Co. (a noted American business-location specialist) highlight New Brunswick's competitive advantages over several U.S., Canadian, and worldwide cities in a variety of industries including customer contact centers, metal fabrication, light manufacturing, plastics, technical services, agri-food processing, and information technology.

New Brunswick's strategic location on the East Coast assures ease of exporting. In fact, over the past 10 years, New Brunswick exports have more than doubled. More than C\$8 billion worth of goods are produced for world markets every year, representing 41.2 percent of GDP. New Brunswick companies profitably export year-round by rail, truck, marine, and air, to 111 countries around the world.

New Brunswick Workers

New Brunswick's workforce shines. Educational attainment rates are consistently higher than many other North American locations, with an impressive 86 percent secondary school graduation rate. All high school graduates must be computer-literate, a prerequisite since the mid-90s.

Mount Allison University has been ranked Canada's "best undergraduate university" for 11 years running, and has produced over the years no fewer than 42 Rhodes Scholars. And the University of New Brunswick, long recognized for its excellence in

engineering and computer science, was the first to offer an e-business diploma. Online education was pioneered and continues to flourish in New Brunswick, thanks to one of the most advanced information technology infrastructures in North America.

New Brunswickers are loyal, offering employees an impressively low turnover rate, which translates into immediate bottom-line savings for companies that operate in the province. Workers in New Brunswick are responsible for companies winning global awards for their productivity, customer service, and innovative products.

Visit our website, www.NewBrunswick.ca, for more details or better still, talk to one of our knowledgeable investment officers. We'll get our numbers working for you. One number, one call, one contact: 1-800-665-1800.

[Sidebar]

McAllen, Texas

The McAllen, Texas/Reynosa, Mexico metro area has been named one of the top-50 automotive supplier areas in the South. It is an ideal location for automotive-supplier companies to set up operations, including those involved in component manufacturing, tool shops, automation, plastic injection molding, and metal stampings. There are many factors that have propelled McAllen/Reynosa into this premier position.

[Sidebar]

McAllen/Reynosa is one of the most strategic locations to supply plants in the United States and in Mexico while still providing price savings for their automotive customers. According to news releases from the U.S. automotive industry, 40 percent of its work force will reach retirement age in the next three to five years. In an already tight U.S. labor market, this will create a real challenge for automotive suppliers. McAllen/Reynosa offers a lower-cost, trained and trainable, young, abundant work force. The present unemployment rate in McAllen is 13 percent, and there is an equally high unemployment rate in Reynosa, Mexico.

McAllen/Reynosa also provides automotive companies with a logistics advantage for shipment of product going both north and south. Trucking and direct air-freight suppliers travel to Detroit and other automotive centers in the Midwest, and international air-freight connections are available going virtually anywhere in the world. Many of our companies ship daily to automotive plants worldwide.

McAllen/Reynosa offers an excellent supplier base to support the automotive industry including:

- * Component manufacturing
- * Tool shops
- * Automation companies
- * Plastic injection molding
- * Metal stampings.

You owe it to yourself to check out why McAllen, Texas/Reynosa, Mexico could be the answer you have been looking for. For more information, call the McAllen Economic Development Corporation at (956) 682-2875 or visit our website at: <http://www.medc.org> or e-mail us at nancyb@medc.org.

[Sidebar]

Coahuila

Coahuila is the third-largest state in Mexico; it shares 318 miles of its northern border with the state of Texas. With its unbeatable geographic location, Coahuila becomes the crossroads that connects Mexico's northern region with its central and southern states.

The state's privileged location, as well as the richness of its natural resources, the development of its infrastructure, the reliability of its work force, and the quality of its lifestyle, make it the perfect environment to establish new business or growing industries. Its competitive advantages include its direct access to national and international markets; abundant energy resources; and a skilled, competitive labor force. In terms of market access, Coahuila has four international airports, 5,000 miles of roadways, 1,000 miles of railway, 47 industrial parks, and three border crossings

Coahuila's higher education system features 55 universities and 97 technical schools. Moreover, the research base includes 10 research centers, including centers for applied chemistry and materials. Fifty-two percent of Coahuila's technical school graduates have careers in engineering and technology. Most graduates are bilingual due to the geographical and commercial links with the United States.

The state's industry is composed mainly of companies representing the

mining/metallurgical, automotive assembly and components, metal/mechanic, electrical/electronic, food and beverage, furniture, textile, medical equipment, aerospace, and information technology sectors. The automotive industry in Coahuila is one of the most important in Mexico.

[Sidebar]

The state ranks first in the nation in car and truck production. Its automotive assembly companies account for 24 percent of national production. It is also the most important steel producer in Mexico, producing 2.9 million tons of liquid steel per year; ranks first nationally in coal and nonmetallic minerals production; and ranks second nationally in iron ore, fluorite, and barite production. Its three aerospace companies produce harnesses and turbine parts.

[Sidebar]

At this point, Coahuila's industrial development strategy is to enhance the IT, aerospace, and electrical industries. The state currently outsources software to international markets and develops software for regional industries as well as for administrative and other uses.

Coahuila is prepared to customize incentives for companies interested in locating there. A group of economic and industrial development specialists in the Investor's Assistance Office will guide companies through the steps and procedures required for setting up operations, and they will provide ongoing support in carrying out the necessary procedures before the appropriate local, state, and federal government agencies. Among the services offered are infrastructure and services certification and zoning/real estate certification.

Coahuila offers you a great option for a winning business solution. For more information:

call:

(877)257-1784

visit our website at:

<http://www.seplade-cohuila.gob.mx>

or e-mail us at:

provocion@seplade-coahuila.gob.mx

[Author Affiliation]

By Lisa A. Bastian, CBC

Copyright S/H Publications Incorporated Dec 1998. Provided by ProQuest LLC. All inquiries regarding rights or concerns about this content should be directed to [Customer Service](#). For permission to reuse this article, contact [Copyright Clearance Center](#).

HighBeam Research is operated by Cengage Learning. © Copyright 2014. All rights reserved.

www.highbeam.com