



**THE CHALLENGE OF DEVELOPING THE  
CROSS-BORDER REGION'S TRADE INFRASTRUCTURE**

*Executive Summary*

May 2000

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This briefing paper was prepared for San Diego Dialogue's Forum *Fronterizo* series on "The Global Engagement of San Diego/Tijuana," which is underwritten by Sempra Energy, the San Diego Foundation, The James Irvine Foundation and the Public Policy Institute of California.

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## Executive Summary

This briefing paper continues the binational conversation initiated by San Diego Dialogue in the early 1990s concerning the trade infrastructure strategies, projects and institutional mechanisms best suited to improving San Diego/Baja California's global competitiveness. It addresses three questions regarding the future of trade infrastructure in San Diego and Baja California. First, why has trade infrastructure development historically been so difficult in the region? Second, given our historic reliance upon the Los Angeles airport, port and rail system, do we need substantial trade infrastructure development in the cross-border region? Third, if so, what can be done realistically both in the near term and long term to provide the infrastructure needed for global competitiveness?

### *Historical Challenges*

There are several factors that have combined to retard the development of world-class trade infrastructure in our region:

- The major reason for our current infrastructure deficit is that, until recently, the San Diego/Tijuana region had an economy that was not oriented toward global trade.
- We have also organized trade infrastructure governance in the region in a fragmented, decentralized way. On the San Diego side, multiple single-purpose agencies govern various pieces of our trade infrastructure, rather than a centralized planning and decision-making process. In Baja California, there is no effective mechanism for partnering with the decentralized decisionmaking that currently governs trade infrastructure in San Diego.
- This situation has been exacerbated in recent years in Baja California by the twin forces of democratization and devolution. Despite the transfer of substantial authority over planning and development decisions to state and local agencies, Baja California continues to receive inadequate levels of funding from the national government and also lacks a capacity to independently generate financing at the local level. At the same time, substantial components of the state's infrastructure facilities, including Tijuana's airport and the management of the Port of Ensenada, have been placed in private hands.
- Both San Diego and Baja California rely primarily on Los Angeles to meet their trade infrastructure needs. One could argue that until recently the cross-border region's reliance upon the Los Angeles port, rail and airport system was efficient. However, our reliance upon L.A.'s trade infrastructure is both a blessing and curse. The concentration of world-class facilities in the Los Angeles area has been a genuine obstacle to building our own. Today critical components of the Los Angeles system, particularly Los Angeles International Airport, risk being overwhelmed by macro-regional demand. Absent new airport development, the entire Southern California region is facing an airport capacity crisis in the next 10 years.

### *Do We Need More Regional Trade Infrastructure?*

There are modest indications of growing demands on our region's trade infrastructure. On balance, one can conclude that if appropriate local infrastructure is built and if trade-based business development occurs, forecasts for the cross-border region show a robust trade future. In particular, an international airport will be critical if our region wants to facilitate high-tech development.

A rationale for expanded and strengthened trade infrastructure stems from at least three sources:

- A high-technology-focused economic development strategy requires new airport capacity. Given the looming Southern California airport capacity crisis, and the political difficulties of expanding L.A.-area airports, serious cross-border efforts must be initiated to develop new airport capacity in San Diego and/or Baja California.
- Regional infrastructure investments, particularly in air cargo, appear to be a prerequisite for building a sustainable, high-value-added manufacturing sector that integrates the competitive advantages of both sides of the border.
- Developing globally competitive trade infrastructure can be an important part of a regional strategy to expand economic opportunity to all of our region's citizens. Strong multi-modal and inter-modal infrastructure facilities, particularly hub airports, can help to catalyze high-wage employment opportunities, both in high technology and in related sectors that revolve around the operation of transportation systems.

### *Policy Recommendations*

Given these realities, the cross-border region should pursue the following steps to build the infrastructure necessary to realize our potential as a trading region.

1. Develop an effective governance system to balance competing interests and advance planning and development of trade infrastructure in San Diego County.
2. Create an effective and sustained regional voice in the planning and operation of the land ports of entry. This means an ongoing dialogue with federal agencies in both Mexico City and Washington. that is led by local civic and political leadership.
3. Establish an effective means of planning port, rail, airport and port-of-entry development for San Diego and Baja California. This effort must include an integrated trade and economic development strategy as well as a trade infrastructure strategy. To date, none of the efforts to build international trade infrastructure have been part of a consistent cross-border strategic vision for the region.
4. Invent new mechanisms to help the region leverage its combined development potential in order to finance and build essential elements of a trade infrastructure system in Baja California. The region should not rely solely on the federal-local dialogue between Mexico City and actors in Baja California to resolve the development challenges facing us as a cross-border region.