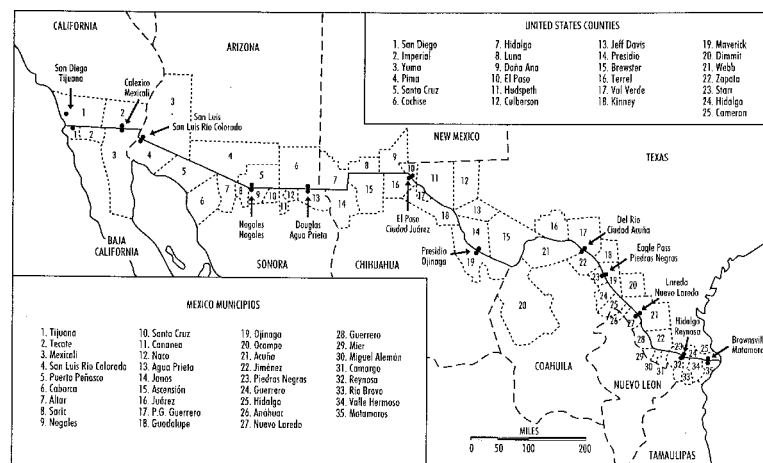


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U.S. Mexican Border Communi- ties: An Overview

Geographically, the U.S. Mexican border region is not well defined. In theory, it should be delineated according to the specific phenomenon being studied, such as environmental issues or cross-border commuter workers. However, in practice, the region is usually demarcated by the administrative units contiguous with the international boundary that is, U.S. counties and Mexican municipalities (See Map 1). According to this definition, 25 U.S. counties and 38 Mexican municipalities form the border region. In 2000, this region had a popu-

Map 1: U.S. Counties and Mexican Municipios



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lation of 11.8 million (6.3 million on the U.S. side and 5.5 on the Mexican side), up from 10.6 million in 1995 (5.8 million on the U.S. side and 4.8 million on the Mexican side). Recent projections estimate that this population will reach somewhere between 15.0 million to 24.4 million by the year 2020, with a figure over 20 million most likely (Peach and Williams 2000).

In this section, an overview of the economic development of the U.S. Mexican border region since the demarcation of the international boundary in the nineteenth century is provided. The next section gives a brief economic and demographic profile of each border community included in the survey. These sections are designed to provide an historical and geographical context for the data presented in subsequent components of this report.

THE ECONOMIC DYNAMICS OF THE U.S. MEXICAN BORDER REGION

Complementarity and interdependence have characterized the border region since the initial demarcation of the international boundary between Mexico and the United States in the mid-nineteenth century. It is complementary because some products (goods and services) that are available on one side of the border are not usually available on the other, and prices vary significantly on the two sides. These conditions make the region interdependent through the creation of cross-border trade and investment. Further, the complementarity of the region's labor markets arises from pull factors in the north (labor demand created by higher wages and unfilled jobs) and push factors in the south (excess labor supply created by a stagnant and often unstable economy and high population growth rates). This also creates interdependence through cross-border market interaction, which, historically, has rendered the international boundary a porous membrane. Similarly, higher levels of technological development in the United States stimulate Mexican consumers and firms to buy those products that are cheaper and of higher quality on the U.S. side of the border while differences in natural resource

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endowments and wages draw U.S. tourists and firms to Mexico.

Thus, complementarity and interdependence, as two inter-related characteristics, have created structural cross-border links and a unique distribution of economic activity along the border. Historically, these links have provided the basis for rapid economic growth in the region. Unfortunately, these same links have also made each side vulnerable to the economic fluctuations and deteriorating environmental conditions of the other side of the boundary. Still, during the 150-year period from the mid-nineteenth century through the beginning of the twenty-first century, the U.S. Mexican border has become one of the most dynamic and integrated binational regions in the world.

The international boundary between the two countries came into existence after the Mexican-American War with the signing of the Treaty of Guadalupe Hidalgo (1848) and the Gadsden Purchase (negotiated in 1853). Over the next half century, the region's development was accelerated by the construction of an extensive railroad network, particularly in the 1880s, and large irrigation projects in the early 1900s in areas such as California's Imperial Valley. These public work projects stimulated the growth of the traditional sectors of mining, ranching, and agriculture. During this period, workers from the interior of Mexico and other countries were attracted to the border region by the rapid growth of jobs that, in turn, stimulated local cross-border trade, resulting in the development of U.S. Mexican twin city pairs. Meanwhile, as trade between the two countries grew, the dynamic U.S. economy expanded westward, creating jobs and economic opportunities throughout the entire region.

For much of this time, the border was not a significant barrier to immigration and cross-border trade, and residents freely crossed the border to shop or work. The existence of a free trade zone (zona libre) in Mexico's border region during this period provided an incentive for Mexican citizens to populate the northern region and also stimulated commerce with the United States. The Mexican Revolution of 1910-1917 also contributed to northward migration as thousands of Mexicans

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fled the violence and property destruction of the war. However, smugglers, rustlers, robbers, and other people of questionable merit from both the United States and Mexico were drawn to the border region as well and contributed to the strife and lawlessness of the area. This created a high level of conflict between the two nations that lasted well into the twentieth century.³

In the 1920s, the prohibition of the sale and manufacture of alcoholic beverages in the United States contributed to the growth of new economic activities in Mexican border cities, especially in Tijuana and Ciudad Juárez. U.S. citizens, eager to find liquor and other forms of recreation, including gambling, flocked to Mexican border towns, stimulating a new kind of tourism. The end of Prohibition in 1933 and the beginning of the Great Depression restrained these activities in the 1930s, while the growth of military installations in the southwestern United States during World War II contributed to the continued economic and demographic growth in the region through the 1940s.

After World War II, a new phenomenon breathed fresh life into the border region Sunbelt Migration. In addition to the continued growth of military expenditures in the region, U.S. corporations began to move into the Southwest in order to take advantage of new market opportunities. A gradual shift of the U.S. population from east to west and the growth of a low wage, unorganized labor force in the Southeast and the West made certain types of manufacturing first apparel and then electronics more attractive. In response to the migration of capital, more workers came to the region. In addition, the warm, sun-drenched winters attracted tourists and retirees from the Snow Belt of Canada and the northern United States.

Population expansion on the northern side of the international boundary also stimulated the growth of urban centers. Over time, this growth spawned retail stores and eventually large shopping malls that were used by U.S. residents and, increasingly, by Mexicans who regularly crossed the border as part of their customary shopping pattern.

Several factors led to this dramatic rise of cross-border retail trade.⁴ Until the late 1980s, tariffs on imported consumer

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goods in Mexico were quite high averaging about 40%, but reaching up to 100% for some items and most Mexicans preferred imported, U.S. manufactured products to domestic ones. Additionally, between 1954 and 1976 the dollar value of the Mexican peso was held constant 12.5 pesos to one U.S. dollar despite the fact that inflation in Mexico was significantly higher than in the United States.⁵ This led to an overvalued peso, meaning that Mexicans could do better by converting their pesos into dollars and buying consumer goods in the United States rather than shopping in Mexico. Border residents and tourists from the interior of Mexico were allowed to bring in products up to a certain value for personal use. If they exceeded that limit, a tip or bribe (*propina* or *mordida*) to the customs inspector would usually facilitate duty free importation.

Cross-border trade gave rise to the growth of large retail sectors in most U.S. communities immediately adjacent to the international boundary and the associated jobs, incomes, and tax revenues came to play an important role in the economic development of those communities. Thus, during good times in Mexico, U.S. border communities tended to prosper, but when crises and devaluations of the peso occurred in Mexico, the U.S. communities would suffer as well.

The rise of cross-border trade in the post World War II period did not escape the notice of Mexican authorities. In the mid-1960s, the Mexican government introduced the Programa Nacional Fronterizo or PRONAF (National Border Program) to counter the growing preference of Mexican border shoppers for U.S. goods. The two objectives of the program were to make the Mexican side of the border more attractive to U.S. and other foreign tourists and shoppers, and to make more Mexican national products available to their own residents. While the program had some success, cross-border trade still flourished, at least until the 1976 peso devaluation that changed the peso-dollar relationship from 12.5:1 to approximately 20:1. As a result, Mexican consumers, whose real incomes (adjusted for inflation), as well as dollar-equivalent incomes declined, found it cheaper to shop in Mexico, causing U.S. border retailers revenues to shrink dramatically.

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Subsequent devaluations in the period 1982-1994 brought frequent and wide fluctuations in cross-border commerce.

Another key element in the economic dynamics of the border is the maquiladora (assembly) industry. This sector grew indirectly out of the termination of the Bracero Program (1942-1964), a guest worker program designed to supply temporary Mexican workers to alleviate U.S. farm labor shortages. The Bracero Program brought in millions of workers during its 22-year existence but was subject to a great deal of controversy. Not only were workers sometimes exploited, but the program did not eliminate undocumented migration into the United States. It did kindle strong demand for Mexican workers that still exists today and has expanded into many sectors of the U.S. economy in most regions of the United States.

Upon termination of the Bracero Program in 1964, Mexicans who lost their jobs in the United States flooded back into northern Mexican towns. Officials from the Mexican government looked around for new ways to employ the excess labor their economy could otherwise not absorb. They found what they wanted in Asia in the concept of global production sharing. According to this concept, labor-intensive products manufactured in high wage, developed countries could be more efficiently assembled in low wage, developing countries, thereby providing jobs and foreign exchange for the developing economies.

In 1965, the Mexican government implemented the Programa de Industrialización Fronteriza (Border Industrialization Program or BIP), which mainly promoted the establishment of maquiladoras in the region. This program provided for duty-free importation of machinery and component parts for assembly (inputs) as long as the final product was re-exported. It also allowed for up to 100% foreign ownership of the manufacturing operation at a time when Mexico's rules for foreign investment stipulated that foreigners must hold a minority position in any project. Finally, maquiladoras were not liable for any Mexican income tax since they typically did not generate sales in Mexico. Given this last factor, along with the market-oriented trade and investment provisions

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under the maquiladora program and Mexico's accessible labor, the country surfaced as a very attractive export platform for multinational firms, especially U.S. corporations. This program was facilitated by favorable U.S. tax treatment where only the value added in Mexico was taxed, which was mainly the cost of labor.

As the Mexican economy slowed and began to experience structural problems in the late 1970s, and then again in the early 1980s, peso devaluations became commonplace. The cost of Mexican labor thus fell dramatically in comparison with other export platform countries, especially Asia.⁶ During the 1980s, the maquiladora industry grew rapidly and became the main source of new jobs in Mexico and one of the leading generators of foreign exchange. Non U.S. firms, mostly Asian, were also attracted to the maquiladora program by the lower wages and the possibility of gaining access to the North American market. By manufacturing and assembling in Mexico, foreign firms could obtain duty-free entry of their exports into the U.S. market, as long as a certain minimum percentage of the total value of the product was added in Mexico.

During the 1980s and early 1990s, the state of Baja California, on the far western part of the border, became a major center for the production of television sets by Japanese firms. The prospect of a North American Free Trade Agreement (NAFTA) stimulated additional Asian investment in this state and elsewhere along the border. During the same period, dynamic maquiladora investment turned the state of Chihuahua into a stronghold for major U.S. automakers. As Mexico added more free-trade agreements with Latin American countries and, more recently, with the European Union, the incentives for multinational firms to invest in the country low wages and taxes and an absence of independent labor unions were greater than ever. Consequently, by 2000, approximately 1.3 million workers were employed in the maquiladora industry, of whom 82.7%, (about 1.02 million workers) were living in the border states. The assembly-manufacturing sector had become one of the main drivers, if not the main driver, of the Mexican border economy.

The growth of the maquiladora industry often resulted in the

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loss of U.S. jobs in basic manufacturing, although maquiladora production simultaneously created jobs for U.S. industries that produce the inputs imported by maquiladoras. Communities along the U.S. Mexican border have regarded the expansion of the maquiladora sector as a source of jobs, incomes, and tax revenue. They argue that as Mexican border communities attract assembly-manufacturing firms and jobs, and as incomes on the Mexican side expand, those firms and their employees frequently buy goods and services on the U.S. side. Maquiladoras often establish warehouse, transportation, communication, and office facilities on the U.S. side. Also, some managers and technical staff of the maquiladoras reside in U.S. border communities with their families. In recent years, manufacturing facilities that feed components to the plants on the Mexican side have been set up in the United States.⁷ NAFTA has begun to change some of these relationships. Under the agreement, U.S. retail firms are better able to expand into Mexico, which, eventually, should reduce some of the cross-border retail trade referred to above. In addition, the specific legal framework behind the maquiladora program is essentially phased out by NAFTA. However, the maquiladora plants as an industrial base will remain, albeit under new regulations and procedures.⁸

While providing for dramatic steps toward increased free trade and substantially opening Mexico to foreign investment, NAFTA did not provide for cross-border labor flows. There have been pressures recently to include labor mobility in the NAFTA region. According to a press release from the office of the President of Mexico, at the first meeting of Vicente Fox and George W. Bush in February 2001, this subject was given special attention and a working group was established to engage in formal high-level negotiations aimed at achieving short- and long-term agreements that will allow us to constructively address migration and labor issues between our two countries.

The above discussion underlines the great degree of economic interdependence that exists among the U.S. and Mexican border communities. This is especially true of the

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maquiladora sector. As will be discussed later, the rapid growth of employment in the maquiladora sector has had a very favorable impact on retail sales in U.S. border communities. Maquiladora wages create purchasing power that is used, at least in part, to make purchases in the United States. The vitality of the maquiladora sector is also dependent on the dynamics of the U.S. economy. While the U.S. economy boomed in the 1990s, demand for products produced by maquiladoras also boomed. This demand, combined with the 1994 peso devaluation, created a powerful combination of forces driving the growth of the sector. Maquiladoras rapidly increased in number and size. In 1994, there were approximately 2,085 maquiladoras operating in Mexico. By 2000, this number had mushroomed to 3,590. In addition, many existing maquiladoras expanded operations. This growth did not immediately convert into increased retail sales across the border. In fact, because the devaluation meant that peso salaries lost purchasing power in terms of dollars, retail sales actually fell in U.S. border towns. As the Mexican economy

Table 1. U.S. Border Region:
Population and Personal Income

Area	Population 2000	Personal Income 1999	
		Per Capita	Percent of National Average
San Diego, CA	2,813,833	29,489	103.3
Yuma, AZ	160,026	18,452	64.6
Las Cruces, NM	174,682	17,003	59.6
El Paso, TX	679,522	17,216	60.3
Laredo, TX	193,117	14,112	49.4
McAllen, TX	569,463	13,339	46.7
Brownsville, TX	335,227	14,280	50.0
Non-MSA Border	1,370,627		
Border Total	6,296,497		
California	33,871,648	29,856	104.6
Arizona	5,130,632	25,173	88.2
New Mexico	1,819,046	21,836	76.5
Texas	20,851,820	26,834	94.0
United States	281,421,906	28,546	100.0

Sources: U.S. Census Bureau, Census (2000); U.S. Department of Commerce, Bureau of Economic Analysis (n.d.).

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recovered, U.S. retail sales also rebounded. In 2001, as the U.S. economy began to slow, the demand for maquiladora products declined and this was reflected in significant cut-backs in employment at some maquiladoras. Thus, the interdependence of the economies of the border communities is very apparent. It is not likely that employment in the maquiladora sector will fully recover until the U.S. economy returns to full vitality.

In summary, the concepts of complementarity and interdependence provide the basis for understanding the economic and demographic expansion that the border region has experienced, especially in the last four decades. While cross-border trade and commerce stimulated by high Mexican tariffs were the main drivers of these characteristics until the mid-1980s, cross-border assembly and manufacturing activities have become dominant in the last 15 years due to lower wages and the advantages associated with the maquiladora program and NAFTA. NAFTA provisions provide for the phase-out of all tariff as well as most nontariff barriers to exports, imports, and local border transactions, while barriers to foreign investment will also be reduced dramatically. As prices and availability of consumer goods on both sides of the border tend to converge, the level of local border transactions can be expected to diminish in relative terms while assembly and manufacturing activities and the degree of cross-border integration in those sectors is likely to increase.

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Each community in the U.S. Mexican border region is unique in terms of its population size, economic structure, and its relationship with the community on the other side of the border. There is, however, one factor that each of these communities share. Their economic and environmental situations are linked with those of their neighbors, and therefore, decision-making processes must take these transborder spillover effects into account for development of sound public policy. Table 1 provides data on 2000 population and 1999 personal

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incomes for seven U.S. metropolitan statistical areas (MSAs) located along the border region and are compared with the four U.S. border states and the United States as a whole.

California Border Communities

California has the largest population of any state in the United States. The total population of California was 33.87 million in 2000 and the population of its two border counties, San Diego and Imperial, represented about 8.7% of the total state population, with approximately 2.8 and 0.14 million inhabitants, respectively.

From an economic perspective, California's two border counties are quite different from one another. San Diego's economy is much larger and more diverse than any other U.S. border community, with a highly educated labor force, modern high-tech industries, and the highest per capita personal income of any border county \$29,489 in 1999. Traditionally, San Diego's economy has been heavily dependent on military expenditures, with its large marine and navy bases as well as a strong aerospace industry. However, since the end of the Cold War, San Diego's economy has become more diversified, specializing in the biotechnology and pharmaceutical industries, telecommunications, computer and electronic manufacturing, medical services, software and computer services, and visitor services such as hotels, restaurants, and entertainment and amusement industries.

Imperial County has historically specialized in agribusiness, but in recent years the economy has become more diversified. The construction of two new large federal prisons in the county and the increase in NAFTA related commercial traffic have been significant economic developments. Nevertheless, Imperial County is a much more typical border community in terms of per capita personal income and unemployment rates. In 1998, Imperial County had an unemployment rate of 26.3% and a per capita income of \$17,353.

Despite their border location, the impact of Mexico on these communities, especially in San Diego, is miniscule in comparison with the impact of the Los Angeles basin and the rest

of California. For example, in 1990, Mexico accounted only for 6.2% of San Diego's total international and domestic exports to other regions of the United States (Rey et al. 1998).

Arizona Border Communities

Relative to its neighbor, California, Arizona is a small state. However, Arizona is experiencing rapid demographic growth. In 2000, its population reached 5.13 million, an increase of 40% relative to 1990. About 35% of Arizona's residents are concentrated in the cities of Phoenix and Tucson. Tucson is closest to the border, but at a distance of approximately 60 miles it cannot be considered a typical border community.

Much of the rest of the state is rural and sparsely populated. The rural economy is dominated by agriculture, while Phoenix and Tucson have become centers of high tech economic activity. Arizona's main economic sectors include services, trade, and manufacturing. Mining and agriculture are also important, although they tend to be more capital intensive than labor intensive. The service sector is the single largest employer statewide. Arizona's per capita personal income was estimated to be \$25,173 in 1999. Yuma County, a border county, had a per capita personal income of \$18,452 in the same year.

The city of Yuma, the population center of Yuma County, is the largest Arizona city within 20 miles of the border with Mexico. In 2000, the county had a population of 160,026, of which 77,515 resided in the city. Tourism is a major contributor to the Yuma regional economy (22.25% of total output). Spending by winter visitors from the northern United States and from Canada accounts for most of this tourism revenue. The municipality of San Luis Río Colorado, Sonora, which borders Yuma County, also benefits from this influx. From October to March, the population of Yuma County swells to about 215,000 with winter visitors, contributing to the vitality of the entire retail sector and bolstering sales tax revenues significantly. Agriculture and government services represent the other two main drivers of the Yuma economy. High tech,

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irrigated agriculture generates \$700 to \$800 million in gross revenues annually, the largest share (35.4%) of the output of the county. The Marine Corps Air Station and Yuma Proving Grounds represent the chief sources of revenue in the government sector, which produces another 18.2% of regional output. The seasonal fluctuations of jobs in the two key sectors of tourism and agriculture result in serious seasonal unemployment for Yuma County, which often reaches 30%.

In 2000, with approximately 21,000 residents, the city of Nogales was a relatively small Arizona border community in comparison with other U.S. Mexican border cities. In 2000, Nogales accounted for 54.4% of the total population of Santa Cruz County, one of the smallest counties in Arizona. Yet, Nogales is the largest of Arizona's six ports-of-entry into Mexico, accounting for more than 60% of commercial and pedestrian traffic moving across the Arizona-Sonora border. Because of close economic and cultural ties between Nogales, Arizona, and Nogales, Sonora, they are often referred to as Ambos Nogales.

Nogales is the principal port-of-entry for fresh produce from Mexico and it handles more than 60% of all winter vegetables and fruits shipped from Mexico to U.S. and Canadian markets. More than \$5 billion worth of vegetables and fruits cross the border into the United States each year at Nogales, Arizona. The city's retail sector is heavily dependent on cross-border shopping by residents from the adjacent twin city of Nogales, Sonora. An expanding maquiladora sector south of the border has spurred a wide variety of new jobs in manufacturing and services.

A large part of the Nogales, Arizona, labor force is employed in trade (40% of total employment) and government (23%). Services provide jobs for another 15% of workers, while manufacturing employs 9% of the labor force. The seasonal character of the fresh produce industry is largely responsible for high unemployment rates, reaching over 20% in the county and over 25% in the city.

Nogales is favorably positioned where U.S. Interstate 19 meets Mexican Federal Highway 15. The railroad crossing, one of the oldest along the U.S. Mexican border, connects

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the Union Pacific with the Mexican Ferrocarril del Pacífico (Pacific Railroad). Currently, it is utilized for shipment of auto parts to the Ford Company in Hermosillo, Sonora, and assembled cars back to the United States.

New Mexico Border Communities

Demographically, New Mexico is a very small state with a population in 2000 of only 1.82 million. It is also the poorest of the four border states with a per capita personal income of \$21,836 in 1999, 76.5% of the national average.

Since New Mexico has only three small ports of entry with no significant urbanized area on the border and a relatively low volume of trade with Mexico, it was not included in the survey.⁹ However, there are some developments along the New Mexico-Mexico border that provide the infrastructure for future population growth and trade. A relatively new port of entry, Santa Teresa San Jerónimo, has been opened just to the west of El Paso, Texas. The port now has cattle pens and commercial and noncommercial inspection facilities. A paved highway recently connected the port with the southern part of Ciudad Juárez and there is now a four-lane highway that links Santa Teresa with the U.S. interstate highway system. Since the Santa Teresa San Jerónimo crossing avoids the densely populated and congested urban areas of Ciudad Juárez and El Paso, it is likely that commercial truck crossings will increase dramatically at this New Mexico port.

Texas Border Communities

Texas is, geographically, the largest state in the United States and shares the longest border with Mexico. Sixteen of the 25 U.S. border counties are located in Texas. An important consideration regarding NAFTA is that a very large proportion—approximately 80% of all land trade between the United States and Mexico—passes through Texas counties, with approximately 38% coming through the city of Laredo alone.

Of the total population of Texas in 2000 (20.85 million), approximately 9.5% lived in the 16 counties immediately adja-

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cent to the U.S. Mexican border. Many differences exist between the border counties and interior counties of Texas. One of the most significant is a lower high school graduation rate in border counties. Given this, it is not surprising that per capita personal income at the border is lower than in the rest of the state. In 1999, the state's per capita personal income was \$26,834, while El Paso had a per capita personal income of \$17,216; Laredo, \$14,112; McAllen, \$13,339; and Brownsville, \$14,280.

The largest metropolitan statistical area (MSA) in the Texas border region is El Paso. El Paso County, located in the west-

Table 2: Mexican Border Region Population and Maquiladora Employment, 2000

Cities	Population		Maquiladoras		Employment in Maquiladoras	
	Total 2000 Population	Percent of State	Total Number of Plants	Mexico Total Percent	Total Number of Workers	Percent of Local Economically Active Population
Tijuana	1,210,820	48.7	788	21.9	187,339	36
Mexicali	764,602	30.7	194	5.4	60,063	19
Ciudad Juárez	1,218,817	39.9	308	8.6	249,509	48
Nuevo Laredo	310,915	11.3	54	1.5	22,603	18
Matamoros	418,141	15.2	119	3.3	66,023	35
States		Percent of State's Population Living in Border Cities				Percent of Maquiladora Workers
Baja California	2,487,367	82.5	1,218	33.9	274,581	21.4
Sonora	2,216,969	23.3	284	7.9	105,391	8.2
Chihuahua	3,052,907	42.5	446	12.4	318,957	24.8
Coahuila	2,298,070	12.5	280	7.8	114,032	8.9
Nuevo León	3,834,141	0.5	156	4.3	68,261	5.3
Tamaulipas	2,753,222	50.2	375	10.4	181,150	14.1
Total Border States	16,642,676	33.0	2,759	76.9	1,062,372	82.7
Other States	80,840,736		831	23.1	222,635	17.3
Mexico	97,483,412	5.7	3,590	100.0	1,285,007	100.0

Source: INEGI (2001); Características de la Industria Maquiladora de Exportación (2000).

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ern part of the state, had 679,522 inhabitants in 2000. Among the various segments of the El Paso services sectors that are expanding, several directly reflect the emerging commercial and industrial linkages to Ciudad Juárez and other regions of Mexico. For example, international air traffic through El Paso continues to expand, as do northbound bridge crossings. Much of the latter is a function of increased maquiladora investment throughout the state of Chihuahua.

Laredo County, which is located toward the middle of the Texas border area, had a 2000 population of 193,117, and nearby Eagle Pass is one of the smallest cities with a population of 22,413. The two MSAs located in the Rio Grande Valley in the eastern part of the state are Brownsville Harlingen San Benito and McAllen Edinburg Mission with populations of approximately 335,227 and 569,463, respectively.

Over the last decade, population growth in the Texas border region has been very high, outpacing the state's average by nearly two to one. Between 1990 and 1999, the population growth of these communities averaged about 32%, compared to 18% for the state of Texas as a whole. The expansion in U.S. Mexican trade, cross-border commerce, and investment during the 1990s have been the driving forces behind the explosive growth taking place in the Texas border region. The economies of Texas border communities, large and small, are rooted in trade and service activities with Mexico. Cross-border wholesale/retail, services, and transshipment services (warehousing and transportation) represent a larger share of Laredo's, Brownsville's, and Eagle Pass's economic activity relative to the more diversified economies of El Paso and McAllen. Nevertheless, the welfare of all Texas border communities is more directly determined by the ups and downs of the Mexican economy than by the performance of their own state or national economies.

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Table 2 provides 2000 population and maquiladora information for major border cities and border states.

Baja California Border Communities

Baja California has the largest border population of all the northern border states and has grown more rapidly than any other Mexican border state in recent years. In 2000, the population of the state's three border municipalities accounted for 82.5% of its entire population. From 1995 to 2000, the state's population increased by approximately 18%, from 2,112,140 to 2,487,367 inhabitants. However, the rate of growth has decreased from 8% annually during the 1960s to 5% in the 1990s.

Almost half (48.7%) of the state's population lives in Tijuana, which in 2000 had a population of 1,210,820. While unemployment in the area is estimated to be quite low 1.1% in 2000 many Tijuana residents cross the international border to find more remunerative jobs. Some residents are U.S. citizens or permanent U.S. residents who live in Tijuana because of lower housing costs. A December 1995 commuter survey indicated a daily crossing of 18,980 workers at the San Ysidro port of entry,¹⁰ of whom 17,535 were U.S. residents. The most recent figures for Tijuana showed that approximately 7% of the jobs held by Tijuana's economically active residents are located in the United States.

Tijuana income levels are significantly above the state and national averages for family, per capita, and household income in 1995.¹¹ Per capita income, for example, was 32% higher than the statewide average and 1.2% higher than the national average in that year.

Because of its proximity to the international border, Tijuana's economy is quite integrated into the California and U.S. economy. Maquiladoras, wholesale trade, retail trade, transportation, and tourism provide most of the city's jobs. In 2000, Tijuana's 788 maquiladoras employed nearly 187,400 workers, mainly in the electric appliances, electronic components, apparel, textiles, and metal mechanics sectors. Maquiladora employment in Tijuana increased steadily at an average rate of 14.1% per year during the 1995-2000 period. In 2001, as the recession in the United States deepened, maquiladora employment in Tijuana showed some downturn.

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Tecate and Mexicali are the other main border municipalities in Baja California, with populations in 2000 of 77,795 and 764,602, respectively. The municipality of Mexicali is a major producer of agricultural and horticultural products and the output of these products is increasing. Most of the manufacturing activity in Tecate and Mexicali is related to the maquiladora industry. In 2000, Tecate had 138 maquiladora plants that employed over 12,100 workers. Mexicali has a large maquiladora sector with 194 plants and over 60,000 workers in 2000. Other major employment sectors include services, construction, transportation, and public utilities.

Sonora Border Communities

In 2000, the state of Sonora had a total population of 2,216,969 with more than one quarter (27.5%) living in the city of Hermosillo, 180 miles south of the international border. Sonora's border population, which in 2000 accounted for 23.3% of the state's population, is mainly concentrated in Agua Prieta, Nogales, and San Luis Río Colorado, with populations in 2000 of 61,944, 159,787, and 145,006, respectively. Unemployment rates in the three cities appear to have remained at the 3.4% level during the past few years. Nogales has the lowest unemployment rate, and provides more than one-third of the state's jobs and most of the recent employment growth. Employment growth in Nogales during 1994-2000 in just the maquiladora sector was more than 98%, increasing from a monthly average of 19,503 workers in 1994 to a monthly average of 38,633 in 2000.

Sonora is a rich agricultural state. Irrigated croplands provide field crops and ranching provides livestock products, including some dairy products. About one-third of the irrigated cropland is adjacent to the Colorado River in San Luis Río Colorado, which itself accounts for about 95% of the total value of products sold by the three border cities. It was also the only border city to show significant growth in agricultural output between 1990 and 1995.

Manufacturing is not well developed in Sonora's border except for the maquiladora industry, which generates an

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important number of jobs in Agua Prieta, Nogales, and San Luis R o Colorado. In 2000, maquiladora annual average employment in Agua Prieta was nearly 7,600 in 34 plants, Nogales had nearly 38,700 workers in 90 plants, and San Luis R o Colorado had nearly 11,500 workers in 39 plants. Other major employment sectors include services, construction, transportation, communications, public utilities, and whole-sale trade. With the exception of services, most of these sectors recorded very little employment growth during the 1990 1995 period.

Chihuahua Border Communities

Chihuahua, with a population of 3,052,907 in 2000, has the second largest population of the Mexican border states. People living along the border accounted for 42.5% of Chihuahua s population. Most of the population of Chihuahua lives in the border city of Ciudad Juarez (40%), which alone has four border crossings. Other Chihuahua border crossings into the United States are located in Ojinaga, San Jer nimo, and Palomas, yet they are quite small and relatively insignificant in terms of cross-border traffic. The city of Chihuahua, in the southern part of the state, is the only other large urban area with a population of 671,790.

Ciudad Juarez, with population of 1,218,817 in 2000, serves as an important retail, commercial, and tourist center for U.S. citizens, and is an important port of entry for U.S. tourists and U.S. goods entering Mexico. The city is also the focal point for maquiladora operations and is an important distribution center for the state of Chihuahua and the interior of Mexico.

Maquiladora employment in Ciudad Juarez totaled more than 249,500 in 2000, providing some 50% of all jobs in the city s formal sector. Maquiladora employment in Ciudad Juarez grew at an average annual rate of 10.1% during the 1995 2000 period. Of the 308 maquiladora plants registered in 2000, many were quite large, with more than 500 employees, and were owned by Fortune 500 firms in the United States. Automotive and electronics are the industry s dominant sectors in Ciudad Juarez. For example, Delphi Automot-

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tive a company that until 1999 was part of General Motors and is Mexico's largest private-sector employer has a considerable presence in Ciudad Juárez. It has 15 manufacturing facilities in the city and, in 1995, set up a technical center dedicated to the research and design of auto parts used by the world's top automakers. The technical center employs some 2,000 workers, most of them engineers. Thomson Consumer Electronics and Valeo (formerly ITT) have also opened technical centers in Ciudad Juárez, indicating that this city has positioned itself as a leader at the highest end of maquiladora investment that includes research and development.

Ojinaga, with a population of 24,307 in 2000, has an economy similar to that of Presidio, Texas, being predominantly a farm and ranch supply/distribution center. Ojinaga, however, does have a small maquiladora industry presence. In 2000, the city had eight plants employing 967 workers.

Coahuila Border Communities

In 2000, Coahuila's population was 2,298,070. The state's population increased 16.5% from 1990 to 2000, compared to a 26.6% increase from 1980 to 1990. Despite these increases, out-migration from the state has been continuous in recent years. The net loss from 1980 to 1990 was 68,785 and from 1990 to 1995 it was estimated at 102,000. Most of the population is concentrated in a number of cities in the southern part of the state, of which Saltillo, with a population of 578,046 in 2000, is the largest. Torreón with a population of 529,512 and Monclova with 193,744 are the next largest communities. Along the border, Piedras Negras with a population of 128,130 and Ciudad Acuña with 110,487 in 2000 are the largest communities. Only 12.5% of the state's population lives directly on the U.S. Mexican border.

From 1985 to 1995, employment in Coahuila fell by more than 20%, due almost entirely to the reduced demand for steel.¹² This industry has been seriously affected since the beginning of trade liberalization in 1986.

The border municipalities of Piedras Negras and Ciudad

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Acuña are the only urban areas in the state to experience population increases, due perhaps to the rising employment in the retail trade sector the largest single employment sector in the two cities. Per capita retail sales there were much higher than in other border cities, indicative of cross-border spending by Americans.

In 2000, Piedras Negras had 38 maquiladora plants that employed over 14,500 workers, while Ciudad Acuña had 56 plants with more than 32,100 workers. Most of the maquiladora plants are involved in the assembly of electrical and electronic items.

Nuevo León Border Communities

Nuevo León, the most industrialized of the five border states, has no significant port of entry to the United States and there are no large towns on the U.S. side of the border. In 2000, only 0.5% of the state's population lived in Anahuac, the only municipality in the state of Nuevo León adjacent to the border. Two-thirds of the population live in six municipalities located in the central-southern section of the state, of which Monterrey, with a 2000 population of 1,110,997, is the largest.

Concerned about the lack of a port of entry in the state, Nuevo León's government and the private sector have pushed for a border crossing for many years. Eventually, the Solidarity Bridge was opened across the Rio Grande near Columbia, Nuevo León. The government of Nuevo León constructed a modern highway connecting this port of entry with Monterrey and other industrial centers in the state. A private toll road, Camino Columbia, built west of Laredo, Texas, in 2000 connects the Columbia-Solidarity Bridge to I-35 21 miles north of Laredo.

Tamaulipas Border Communities

In 2000, the state of Tamaulipas had a population of 2,753,222, of which 50.2% lived in border municipalities. Three metropolitan areas accounted for 83% of the state's

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border population (1,382,212) in 2000. Reynosa is the largest municipality with a population of 420,463 in 2000. Matamoros, located on the Gulf of Mexico, is the second largest with a population of 418,141, and Nuevo Laredo is the third largest with a population of 310,915. The economies of Nuevo Laredo, Matamoros, and Reynosa depend heavily on their proximity to the border with the United States. Wholesale trade, retail trade, transportation, and tourism provide most of these cities jobs.

Nuevo Laredo is a major gateway for international trade and tourism with the United States. It is the largest inland port in the nation and its retail merchants enjoy one of the highest per capita retail sales rates in Mexico. In 2000, 8.3 million vehicles and 11.4 million pedestrians crossed into Mexico from the United States through Laredo. Reynosa is a principal farm product supply distribution center. Reynosa's largest single employer is a large petrochemical complex operated by the Mexican national petroleum company PEMEX.

Matamoros serves as an important retail, commercial, and tourism center for U.S. citizens. Almost 10 million persons annually enter Mexico through Brownsville, and a thriving retail/tourist trade augments the city's diverse economy. The city has a large maquiladora sector and is an important distribution center for the state and the interior of Mexico. The other border municipalities of Tamaulipas have large maquiladora sectors. In 2000, Matamoros had 119 plants employing 66,023 workers. Reynosa, however, has been growing at a faster rate than Matamoros in recent years. During the 1995-2000 period, Reynosa's maquiladora employment grew at an average annual rate of 10.3%; the corresponding figure for Matamoros was 8.2%. In 2000, Reynosa had 117 plants (two less than in Matamoros) with a workforce of 66,091, slightly higher than the Matamoros total. However, compared to Matamoros and Reynosa, Nuevo Laredo does not have a large maquiladora sector. In 2000, it had only 54 plants employing slightly more than 22,600 workers just 2% of the industry's national total.