

BREPORT
US/Mexico border

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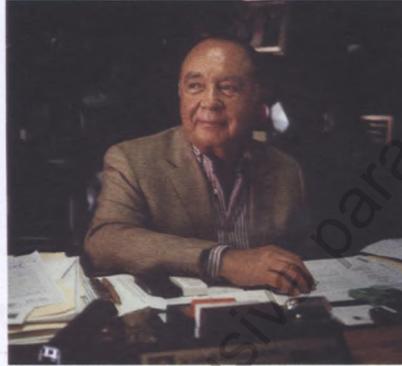
BORDER OF BUSINESS —San Diego & Tijuana

Preface

Despite being heavily patrolled, business across the US-Mexican border is more fluid than it appears. Monocle visits companies making all the right waves.

WRITER*Alastair Gee***PHOTOGRAPHER***Carlos Chavarria*

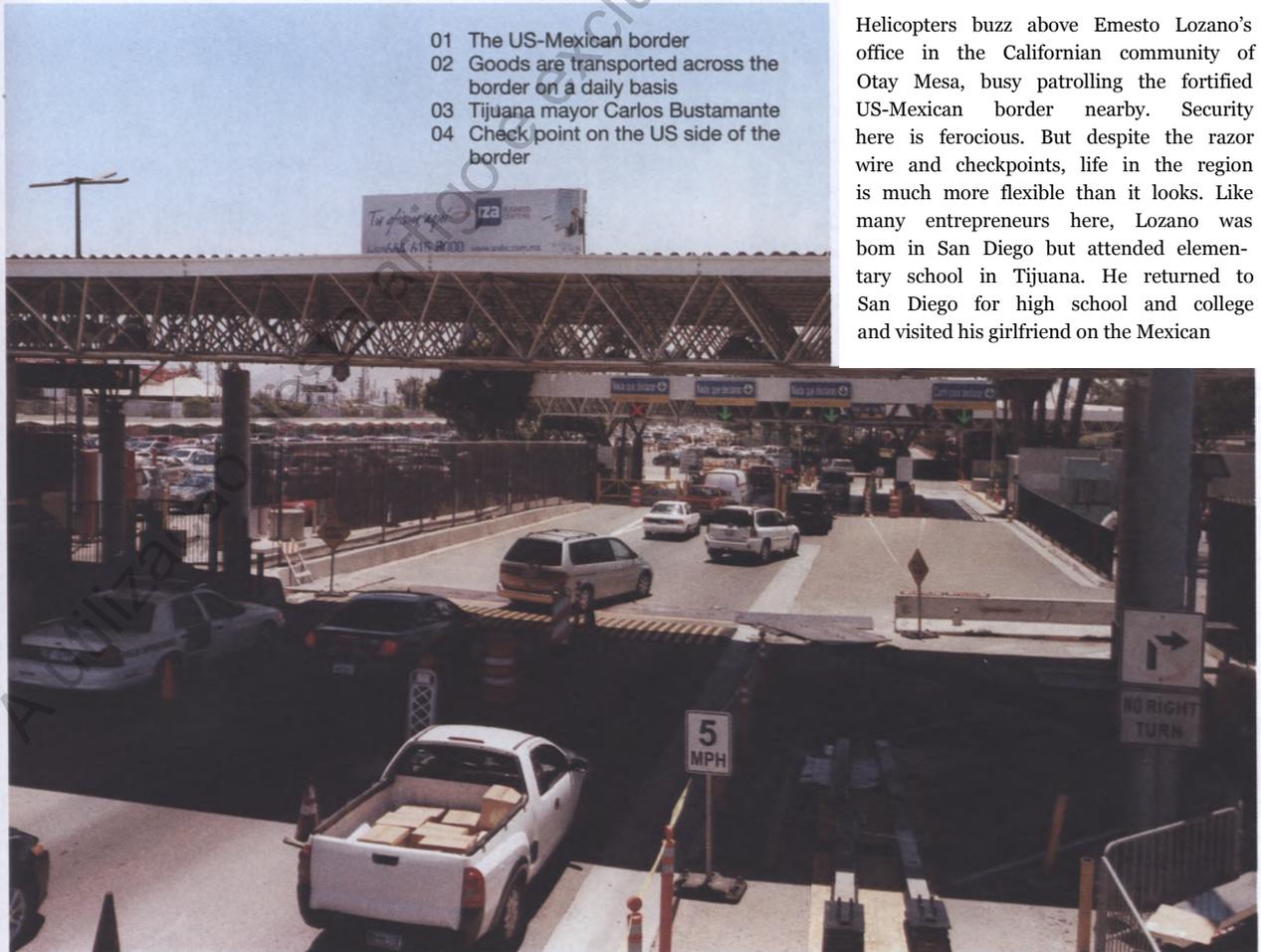
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- 01 The US-Mexican border
- 02 Goods are transported across the border on a daily basis
- 03 Tijuana mayor Carlos Bustamante
- 04 Check point on the US side of the border

Helicopters buzz above Ernesto Lozano's office in the Californian community of Otay Mesa, busy patrolling the fortified US-Mexican border nearby. Security here is ferocious. But despite the razor wire and checkpoints, life in the region is much more flexible than it looks. Like many entrepreneurs here, Lozano was born in San Diego but attended elementary school in Tijuana. He returned to San Diego for high school and college and visited his girlfriend on the Mexican



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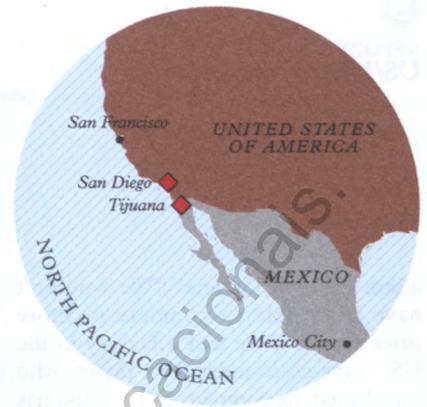
Building ambition

San Diego has a wealth of modern architecture and museums yet its neighbour is slowly catching up. Downtown Tijuana has several covered shopping streets – or *pasajes* – that have seen better days. “American tourists used to come here and buy crafts,” says gallery owner Josué Castro. “But after 9/11 fewer and fewer tourists came.”

The *pasajes* are getting a boost thanks to new tenants, including La Tentación, a gallery run by Castro and his business partner, Andrew Sheiner. On the attractive Paseo de los Heroés, with its statue of Abraham Lincoln, the 1982 Tijuana Cultural Center is a stark, imposing testament to the city’s ambition.



- 01 Downtown San Diego
- 02 Mario López of the Tijuana Economic Development Corporation
- 03 Via Corporativo building downtown



side. Together with his brother Roberto he runs a trucking firm called Mexamerica that transports goods back and forth across the border from a baked, dusty lot in Otay Mesa. Many of his staff commute from Tijuana. “Here at the border it’s a binational, interdependent region,” Lozano tells monacle.

While the rhetoric in Washington is focused on national security and illegal immigration, in the California border region there is a move to strengthen ties between the neighbouring but distinct cities of San Diego and Tijuana. The latter is often regarded as a tequila-soaked retreat for Californian youngsters and its grimy streets have been wracked by drug-related violence. Its US counterpart is affluent and clean, with golden beaches catering to millions of tourists. Yet the two cities are linked by commerce and much else besides. “We share the same air, the same water,” says Tijuana mayor Carlos Bustamante in his downtown office. “The only thing that divides us is a fence.”

In city halls on either side of the border there is an effort afoot to bolster this relationship. San Diego mayor Bob Filner (who, as monacle goes to press is fighting allegations of harassing female colleagues) has talked of a “mega-region” and set up a satellite office in Tijuana’s downtown. The vision is of a trans-border economic zone using San Diego’s corporate and research expertise and Tijuana’s industrial graft.

San Diego (founded in 1769) and Tijuana (1889) have had complex links for generations, but their official business partnership took off in the 1960s when special trade zones were established on the Mexican side of the border. These enabled US companies to operate factories without duties or tariffs and benefit from cheap Mexican labour. Boosted by the North American Free Trade Agreement (Nafta) of the mid-1990s, there

were about 800 of these factories, known as *maquiladoras*, in Tijuana by 2001. But after a cavalcade of local and global problems, including China’s accession to the World Trade Organisation and the recessions of the early and late 2000s, many factories migrated overseas. Things are looking up, though: maquiladora employment is now at its highest in five years.

Maquiladoras are once again becoming more competitive. As wages and benefits rise in China and the renminbi appreciates, the San Diego-Tijuana border axis is benefiting as part of a broader trend. American trade with Mexico has almost doubled, from \$300bn (€230bn) in 2009 to around \$500bn (€380bn) last year. “We trade more with Mexico than with Germany, Japan and the UK combined,” says Simon Rosenberg, head of Washington think-tank New Democrat Network. “It’s one of the most significant trade relationships between any two countries in the world.”

This change is seeing more businesses setting up shop with a foot on either side of the border. One company taking advantage of Mexico’s renewed attractiveness is 3D Robotics, a San Diego-based manufacturer of aerial drones. It mostly develops new models at a facility strewn with wings, rotors and engines on the outskirts of San Diego. Based here, it benefits from US technological know-how, but it produces the aircraft in cheaper Tijuana. “It costs a little more to make in Tijuana than in China but there are so many savings because it’s so close, so the net cost is about the same,” says ceo Chris Anderson.

It’s a similar story at Taylor Guitars, which is headquartered in California and employs 350 workers to create instruments in a facility filled with the earthy scent of freshly sawn wood. Since the early 1990s it has produced entry-level models at a facility in Tecate, around

48km east of Tijuana. “We wouldn’t have been able to compete in those price ranges if we had a factory in the US,” says co-founder Bob Taylor, who established the company in 1974 and has supplied artists as diverse as pop icon Prince and chart-topper Taylor Swift.

On the US side, urban areas often have a moneyed sheen. In Tijuana, the environment is more chaotic, with vendors hawking their wares at the side of abysmal roads. Many of the *maquiladoras* are simply concrete boxes plonked on terraced hillsides and conditions are not up to US standards. In one case, a manager tells *monocle* that having air-conditioning in his sweaty factory would be too expensive.

Such issues belie Tijuana’s economic prowess. Baja California has the largest concentration of aerospace companies of any Mexican state, for example. A key player is aircraft interior manufacturer Zodiac, which imports raw materials from the US to create air conditioning ducts for A380s, and entire interiors for *Embraer* 170s and 190s at its Tijuana plant.

Zodiac’s success illuminates a new reality in Tijuana manufacturing: “We’re not only labour,” says manufacturing supervisor, Victor Tovar. “We also design and produce the tooling.” Whereas the original *maquiladoras* may have focused on cheap, simple products such as toys, today’s factories are increasingly high-tech and reliant on skilled workers. According to the Tijuana Economic Development Corporation (*deitac*), engineers now account for 19 per cent of the workforce, up from 2 per cent some 20 years ago.

Yet delays at the border crossing are hampering efforts to create a thriving US-Mexico business relationship. The long queues cost San Diego County and neighbouring Imperial County an estimated \$2.5bn (€1.9bn) annually and \$1.5bn (€1.1bn) in Baja California.

Some relief may be on the way from the private sector. San Diego lawyer Don Stoecklin has obtained the lease to a 113km stretch of disused railroad that crosses the border to the east of his city. Once the line



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- 01 Downtown San Diego
- 02 Worker at aircraft interior manufacturer Zodiac
- 03 US side of the border
- 04 3D Robotics
- 05 Vince Mudd, head of San Diego’s exploratory committee for their Olympics bid

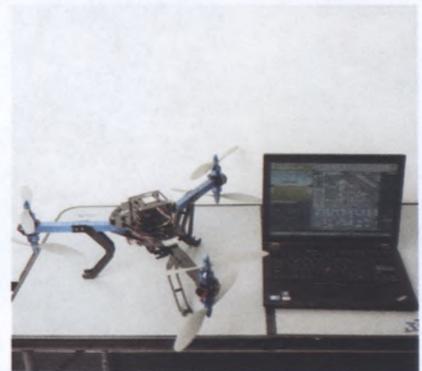


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is renovated, Stoecklin plans to connect *maquiladoras* to the US rail network, and says he has had interest from firms including Toyota and Hyundai. If the line were to run at capacity, he estimates it would carry 400 cars a day. When the railway is open, “we’ll free up additional capacity and allow 800 more trucks a day to cross”, he says.

Another infrastructure plan is more aspirational: hosting the 2024 Olympics. Earlier this year San Diego and Tijuana proposed a joint bid and Vince Mudd, head of San Diego’s exploratory committee, says transport links would benefit. “The odds of a third border crossing without the Olympics are pretty slim, but with the Olympics they’re much better.”

Mudd was recently told by the US Olympics Committee that San Diego must apply individually, meaning that the two cities will have to go forward under their own banners. Even so, he thinks the bidding process will lend momentum to resolving the border gridlock. “It’s a way to give our entire region a vision to guide ourselves over the next 20 years.”— (m)



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