



# Expanding Trade through Safe and Secure Borders

Sponsored by the Arizona Department of Transportation and conducted  
by The University of Arizona Office of Economic Development

**CYBERPORT™**

# What is CyberPort?

CyberPort is a new way of thinking about cross-border trade. CyberPort is not a place, but a process for the safe, secure and efficient movement of people, goods and information through the U.S.-Mexico border. It is a system-wide process designed to simultaneously increase both security and trade-flow efficiency.

A more efficient and effective border-crossing process can be achieved through coordination, cooperation, technology, planning and design.

Now is the time to undertake a new effort to redefine and implement an improved model for cross-border trade.

You can help to make CyberPort happen. Establish the Nogales port as a national model and pilot test site.

CyberPort is multinational in its approach and considers the impacts of cross-border traffic at the local, state, and regional levels. The goal of CyberPort in Arizona is to increase the capacity of Nogales, San Luis and Douglas to serve as safe, secure and efficient gateways between the United States and Mexico. Nogales, as Arizona's primary commercial port-of-entry, is naturally positioned to serve as the port of choice for western U.S.-Mexico trade.

# The Challenge

## Safety = Security = Trade

Safety and security do not have to come at the expense of trade facilitation. CyberPort is based on the principle that safety, security and trade-flow efficiency can be mutually reinforcing concepts. In today's security environment, border ports-of-entry have had to increase levels of inspection and enforcement while operating with limited capacity to accommodate significant increases in U.S.-Mexico trade.

Through participation in safety and security compliance programs, enforcement agencies are able to maximize the use of risk management to facilitate the border-crossing process for legitimate trade.

## Arizona is Losing Ground

Arizona's primary port-of-entry in Nogales serves as a principal gateway for U.S.-Mexico trade and is a keystone to the CANAMEX corridor. Total U.S.-Mexico surface trade has more than doubled in terms of value from \$88 billion in 1994 to approximately \$200 billion in 2002.

However, trade through Nogales has not grown at the same rate as the entire U.S.-Mexico border. The Nogales border port-of-entry has lost one quarter of its relative market share since 1995.

## Securing a Competitive Advantage

Geographic position alone cannot maintain Arizona's competitiveness in the global marketplace. Regulatory, process and infrastructure improvements are critical to ensuring that Arizona maintains strategic access to the markets of North America and beyond. Significant improvements at the port-of-entry and throughout the trade-flow process are required to maintain Nogales as a port of choice and to secure Arizona's position as a primary gateway for U.S.-Mexico trade.

## Solutions Outside the Box

To address these issues in Arizona and position the state as a national and global leader, the Governor's CANAMEX Task Force commissioned the Nogales CyberPort Project. The CyberPort concept was derived from creative input from binational industry and agency stakeholders as well as detailed analyses of legal, logistical and commodity-flow issues.



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**CANAMEX Trade Corridor** Nogales serves as a principal gateway for U.S.-Mexico trade. Arizona's natural tradeshed encompasses 14 states in the western U.S. and Mexico and extends to serve the entire U.S. for southbound trade destined for western Mexico. It also includes Mexico's 13 southern states for trade destined for the western U.S. and Canada. Arizona's tradeshed is that of the CANAMEX Corridor. In addition to key north-south access, Arizona is also positioned along three major east-west freight corridors: I-8, I-10 and I-40.

The implementation of CyberPort involves: multiple modes of transportation, cooperation among nations, decentralization and streamlining of the border-crossing process, widespread application of new technology, and building on progressive programs within the U.S. Bureau of Customs and Border Protection such as FAST, SENTRI, ITDS, ACE and C-TPAT.

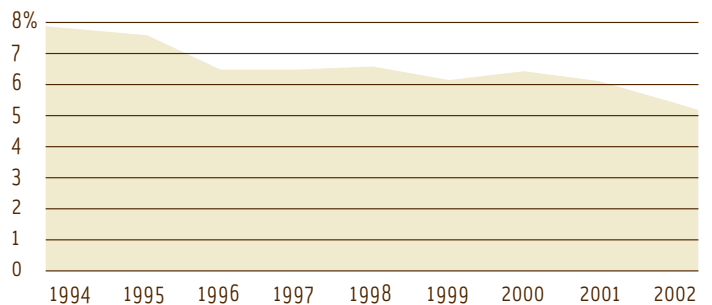
## NAFTA and the Global Marketplace

The development of the CyberPort as an ideal universal concept enables its application elsewhere in the United States, specifically along the U.S.-Mexico border. The CyberPort concept works in support and agreement with the 22-Point U.S.-Mexico Border Partnership Action Plan as well as the 30-Point U.S.-Canada Smart Border Action Plan.

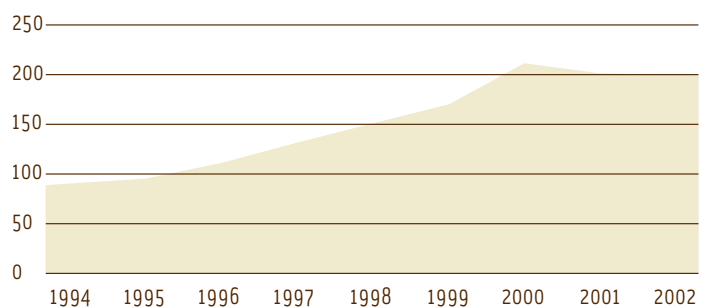
The CyberPort concept can be applied to international border ports-of-entry throughout the world. While great diversity exists among international border ports-of-entry, the CyberPort concept serves as a comprehensive framework for developing place-specific models appropriate for use anywhere.

Implementation of the CyberPort concept in Nogales and at Arizona's other commercial ports-of-entry will require a sustained and focused effort. Significant gains come at significant cost and demand a dedicated commitment on behalf of government officials and the trade community. It is critical that business leaders, federal, state and local government all recognize the importance and urgency in meeting the needs of the border.

**Nogales Relative Share of Northbound U.S.-Mexico Surface Trade by Year**



**Total Value of U.S.-Mexico Surface Trade by Year in Billions USD**



In addition to the doubling in value of total U.S.-Mexico surface trade, northbound commercial truck crossings have experienced a similar increase from approximately 2.7 million in 1994 to over 4.4 million in 2002. This growth has simply outpaced the increase in capacity at many border ports-of-entry.

# The Goals of CyberPort

The goal of the Nogales CyberPort Project is to achieve a coordinated, seamless, flexible and integrated system for the safe, secure and efficient movement of trade. The project looks beyond technology and beyond the port compound to consider a holistic, system-wide approach to the development of innovation and advancement throughout the entire trade-flow process – from the point of origin to the point of destination. CyberPort aims to reduce congestion and bottlenecks while meeting the needs of government agencies and the trade community.

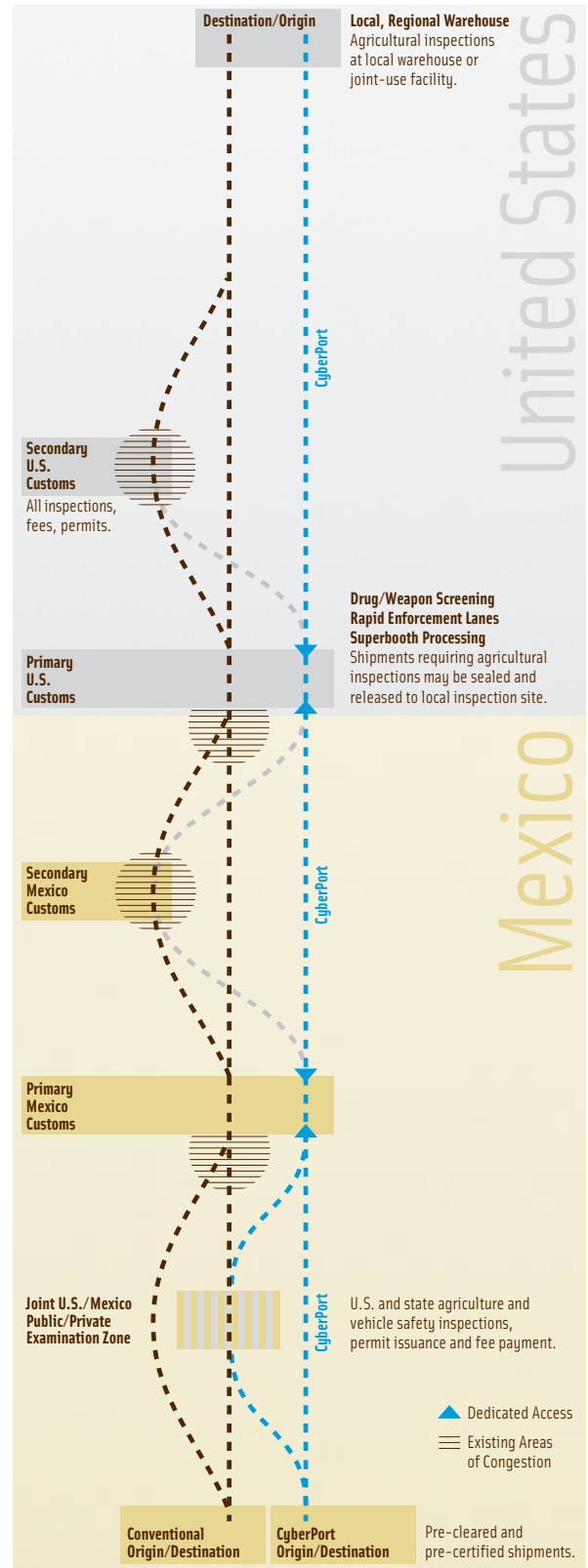
# How CyberPort Works

The CyberPort concept optimizes a mix of consolidation and decentralization of border-crossing procedures at locations throughout the trade-flow process where each is the most appropriate, efficient and effective. The CyberPort concept integrates the modernization of technology, logistics and infrastructure along with reforms in the procedural and regulatory environment.

# CyberPort's Guiding Principles

The CyberPort concept is based on principles that respond to nine rules for new global trade. Technology is a thread that runs through each of these principles and serves to unify the solution that CyberPort offers.

CyberPort's guiding principles include: coordination and cooperation; integrated systems; incentivized pre-clearance; risk management; infrastructure capacity and design; shared information; maximizing new technology; shipment transparency; performance standards and measurement; multimodal solutions; and multinational partnerships.



The CyberPort concept diagram illustrates the U.S.-Mexico trade-flow process under conventional and CyberPort scenarios. Critical areas of congestion in the conventional process are upon approach to customs facilities and within secondary customs compounds. Key elements of the CyberPort concept that relieve congestion are off-site inspections (particularly for agriculture and truck safety); pre-certification (electronic fee payment and permitting); pre-clearance (sealed shipments from C-TPAT compliant warehouses and carriers); and dedicated access to customs facilities for qualified users.

# Nine Rules for New Global Trade

## 1. Share the Work

Enable the user to prepare for a transaction at the front-end of the process. Giving users a secure opportunity to establish themselves as legitimate and, literally, check themselves through the process results in time and labor savings as well as reduced congestion at processing choke points. Pre-payment of fees, pre-issuance of documents and pre-clearance for security streamlines the trade process significantly.

## 2. Give Preferred Treatment

Specific incentives to save time and money must be provided to encourage users to modernize their traditional ways of operating. Dedicated access to facilities, as well as low-risk designations, help speed the trade-flow process and reduce the chance of time-intensive inspections. Incentives also are needed to encourage users to invest in new technology, maintain preferred safety and security standards and make infrastructure upgrades.

## 3. Staff to Demand

Industry and agencies on both sides of the border must work together to create a flexible framework for staffing that allows for variable allocation of human resources to accommodate changes in demand throughout the day, week, month and year. Staffing levels must respond to high demand for services.

## 4. Build to Demand

No matter how rapidly processing operations occur, the sheer volume of peak flows will create a bottleneck if there is not sufficient space to accommodate the demand. Variations in flow need to be reduced while facilities and infrastructure must be flexibly designed and large enough to accommodate demand the vast majority of the time.

## 5. Maximize Technologies

The application of new technologies throughout the trade-flow process and manufacturing supply-chain is essential to experiencing greater and greater levels of productivity as well as maximizing safety and security. A uniform platform for the identification, testing and application of new technologies in a multinational user environment must be developed.

## 6. Execute Placeless Transactions

The placeless transaction is where e-trade meets e-government. The only thing that must physically change hands in the world of trade is the good itself. All other aspects of a transaction can occur electronically. The advantage to electronic commerce is clear. However, tremendous coordination involving complex information management systems is required.

## 7. Manage Risk

Risk management is perhaps the single greatest principle affecting the physical flow of international commerce. It is imperative that customs and other government inspection agencies have the greatest amount of information possible to make a well-informed assessment as to the legitimacy of a transaction or shipment. Users need to be given the opportunity to demonstrate their legitimacy, thereby significantly reducing the chance of inspections. Inspection agencies need to trust users that demonstrate legitimacy and users need to trust inspection agencies to use the secure information provided in strictest confidence.

## 8. Share Inspection Responsibility

Every trade shipment is subject to a multitude of authorities at the local, state and federal levels. A redundancy of inspection often occurs when there is a breakdown in coordinated enforcement protocol. Agencies can help one another simply by knowing what each are trying to achieve and the protocols by which they operate. This may be demonstrated in developing a binational protocol that provides for accountability in re-sealing shipments inspected in transit. Ultimately, shared access and inspection responsibility must be granted by trading countries, where each is able to establish a designated zone in which to perform pre-inspections in the country of origin. Redundant inspections must be eliminated.

## 9. Measure Performance

Significant data gaps are the most pressing variable inhibiting comprehensive measures of success. Standard classifications of trade and standard metrics by which to measure it are essential. The data must then be gathered in a consistent fashion and time frame among countries. The establishment of standards of success and the measurement of that success is critical to addressing current needs and planning for the future.

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