

MEMORANDUM

To: LFC Members
From: Brent Earnest, LFC analyst
Through: David Abbey, LFC director
Date: September 14, 2007
Subject: Field Trip Report, Nuevo Casas Grandes, Chihuahua, Mexico, September 10-12, 2007

LFC members, staff and guests traveled to Nuevo Casas Grandes, Chihuahua, Mexico, from September 10-12, 2007, to better understand the connections of our two states and learn more about New Mexico's neighbor to the south. This memo serves as a report from the trip. (Agenda attached.)

ATTENDEES

Senator John Arthur Smith; his wife Jeanette Smith; Senator Carlos Cisneros; Senator Lee Rawson; Senator Mary Kay Papan; Senator Cisco McSorley; Representative Jeannette Wallace; Representative Dona Irwin; Commissioner Louise Peterson, Hidalgo County; David Abbey, LFC Director; Brent Earnest, LFC staff; Raul Tellez, NM Department of Agriculture (NMDA); Ricardo Gonzalez, NMDA; Vicente Vargas, NMDA; Jerry Pacheco, International Business Accelerator; Juan Massey, Director, Office of Mexican Affairs, Economic Development Department; Jaime Campos, Director, NM Border Authority; Carter Bundy, AFSCME.

OVERVIEW

After visiting with leaders in agriculture, government and commerce, a theme became apparent: New Mexico and the State of Chihuahua have more in common with each other than each have with their respective capitals in Washington, DC, and Mexico City. In describing the integration of our economy and culture, one city councilor from Nuevo Casas Grandes put it this way: "you eat tacos and we eat hamburgers." Again and again, from presentations about agriculture to discussions of native cultures, the interconnections and similarities between the two states was obvious. Border economic integration appears to be a reality. For example, "Hatch" chile is often imported from Chihuahua. Infrastructure investment could advance border economies. It would be desirable to forge stronger political and cultural relations with Chihuahua.

Monday, September 10, 2007

Briefing and Tour of Playas Research and Training Center. With the NM Department of Agriculture providing transportation, the group departed Deming for the Playas Training and Research Center (Playas) in Hidalgo County. Retired General James Morgan, Associate Director, reported on Playa's mission to become a "unique center of excellence providing training, operational support and research, development, test and evaluation in a real world environment for customer organizations" Playas is the former company town for the Phelps Dodge mine and smelter. NM Tech bought the town for \$5 million to expand its training capabilities. In its third year of operation, PTRC has developed

eight lines of business, such as first responder training, law enforcement field training and unmanned aerial systems development. For these lines of business, Playas has built a command and control network to track players in simulation systems across the 640 acre town site consisting of 259 single family homes.

Playas holds important potential for economic growth in Hidalgo County. As the major employer in the area, the facility can attract industry, assist in development of commercial land, and provide a source of post-secondary educational opportunities. Playas has a payroll of about \$2.2 million to employ 104 people and contracts and purchases another \$2.4 million annually for services and construction. In addition, Playas supports Hidalgo County with \$130,000 annually for emergency medical and fire services and removal of solid waste. Playas is seeking additional land from Phelps Dodge to expand its site and airport, as well as more recurring funding from the legislature. David Manzano, NM Tech, noted that an impending \$100 million increase in Phelps Dodge mining reclamation bond might affect this opportunity. Playas has identified potential revenue of \$14.8 million from existing and potential customers as well as a potential \$10 million appropriation from Congress. Mr. Tom Baca, State Aviation Director, Department of Transportation, discussed environmental assessment and other feasibility requirements to obtain state or federal aid for runway construction.

Following the presentation, Senator Smith and Commissioner Peterson noted that Playas is important for Hidalgo County for its gross receipts tax revenue and the potential for economic development.

Phil Copeland, New Mexico State University, provided an update on NMSU's unmanned aerial vehicle (UAV) program that utilizes Playas.

Update on Antelope Well-El Berrendo Border Crossing and the Hidalgo County Border Development Master Plan. Jerry Pacheco, director of the International Business Accelerator, and Jaime Campos, director of the Border Authority, reported on the recently completed Hidalgo County Border Development Master Plan. Generally, the cattle ranches and farming communities of southwestern New Mexico and northwestern Chihuahua would benefit significantly from an improved port of entry at Antelope Wells, NM, and El Berrendo, Chihuahua. The unpaved access road to El Berrendo in Chihuahua presents a major obstacle for development of the region. Nevertheless, there are important events, such as the Lordsburg-Janos sister cities meetings and the border horse races, and promotions, such as the Mimbres-Paquime connection, that celebrate the similarities of the two states.

At around 12:00 noon, the group departed Playas for the Antelope Wells-El Berrendo crossing. The bootheel was blessed with the best rains in decades and was exceptionally verdant. Commissioner Peterson noted the boundaries of her ranch bordering Chihuahua and Hatchita peak and discussed challenges related to smuggling in the remote area. She also noted a "bison crossing" sign—a herd of 100 ranges along the border lands. The 7 mile dirt road from Antelope Wells to the trans border highway 2 was in relatively poor condition with deep ruts, large puddles and narrow cattle guards.

The caravan arrived at the Hotel Hacienda a little after 3:00 p.m.

Development in the state of Chihuahua and the Northwestern Chihuahua Region; Overview of the Chihuahua Economy and Government. The group reconvened about 3:30 for presentations on Chihuahua and the region. Emma Magadán, an industrial promoter for Chihuahua Secretariat of Industrial Development, spoke to the group about Chihuahua's economy. As the largest state in the country, Chihuahua has 582 miles of border with the U.S. It leads the country in industrial employment and is the third largest manufacturing center in North America (behind Los Angeles and Chicago). Like New Mexico, more than half of the state's budget goes to education for more than 1 million students. Chihuahua is also a large producer of agricultural products, leading Mexico in the production of chile, onions, peaches and apples. It also is the largest miner of gold.

Anna Elisa Lopez, director of Economic Development for the city of Nuevo Casas Grandes, reported on the demographics and economy of Nuevo Casas Grandes and the region, which includes six other towns: Ascensión, Janos, Casas Grandes, Buenaventura, Galeana, and Ignacia Zaragoza. With a population of 65,400, there are 22,000 homes in Nuevo Casas Grandes, of which 18,700 are inhabited, 18,605 have electricity and drinking water, and 14,586 have drainage. The per capita income is about \$4,000 per year, and 57 percent of the population is between 20-34 years old. There is an average of 3.5 persons per household. Almost all residents have access to utility services. Agriculture and industry make up the largest segments of the economy at 32 and 31 percent, respectively. With important archeological sites in the region, tourism is a growing segment of the economy.

Juan Massey provided an overview of government in Mexico. Although Mexico has a similar government structure to the US, its multiparty system and term limits in all elected offices make a distinguishable difference. Local offices were in a period of transition as recently elected officials were preparing to take office.

Jose Iran Nuñez, a newly elected city councilor of Nuevo Casas Grandes, noted that term limits, which are set by the constitution and federal policy, make program implementation difficult. Mr. Nuñez also highlighted the interconnectedness of our economies and cultures and believes that there are significant opportunities for business growth and development.

Following the presentations, the group met with local government and business leaders at a reception. Chihuahua officials included the area representative to the Chihuahua legislature, mayors from Casas Grandes, Nuevo Casas Grandes and Ascensión and other city councilors.

Tuesday, September 11, 2007

The group met with Bilo Wallace and his son Wes over breakfast. For several generations, the Wallace's have been farmers and ranchers in Chihuahua. Educated at NMSU, Mr. Wallace has many connections to New Mexico and sees a strong link between the economies and cultures of the two states. Mr. Wallace is past president of the Chihuahua Cattle Growers Association. There are many challenges for the cross-border economy, including labor shortages in Mexico, the Mexican blockage of US cattle imports, drug and human trafficking, and general misperceptions of US and Mexican cultures and people.

After breakfast the group departed for Colonia El Valle, a Mennonite farming community about 45 kilometers southeast of Nuevo Casas Grandes. Klass Banman Peters and Javier Dominguez Arreola welcomed the group and discussed the organization of the community and the production of the farms. Mr. Peters noted the Mennonites speak two German dialects, Spanish and some English. Education is provided in the community to eighth grade with some students advancing to technical schools. Cotton is the largest crop on more than 20,000 acres of farmland, and the community operates a large cotton gin. Ground water provides the farm's source for irrigation, and wells vary in depth from 250 to more than 400 feet.

After a tour of the farm and the community store, the group departed for Paquimé.

Paquimé, or Casas Grandes, is the site of a one of the largest and most complex Puebloan communities, whose culture and lifestyle were similar to the Puebloan communities of the Southwestern US. Paquimé was occupied, through various stages of growth and decline, for more than 400 years – peaking in the 14th centuries and declining in the 15th. The site is significantly larger than Chaco Canyon's Pueblo Bonito, and the main apartment building was at least four stories in height. The people of Paquimé developed a system for running water and irrigated crops of beans, corn and squash. The museum director, Laura Vázquez, guided the group through the Museum of Northern Cultures and the ruins, including entrance into the rooms.

After a lunch at the Hacienda del Refugio, a privately restored home, the group returned to the hotel.

Mr. Raul Tellez throughout the trip was an expert informant on Chihuahua affairs. For 23 years Mr. Tellez has promoted agricultural trade in Chihuahua including pioneering bull sales from the Wesley Grau ranch, sale of agricultural equipment and seed from Curtis Seed of Clovis, and visits to many ejidos and Mennonite colonias.

Issues in Agriculture. Kelly Jones, a chile farmer in the region, discussed the opportunities for cooperation with the New Mexico and challenges for Mexican agricultural industry. He noted the need for improved Mexican ports of entry, especially along the New Mexican border. Access to capital remains the most significant obstacle for Mexican growers. While there are many positives of NAFTA and free trade with the

US and Canada, the unprotected markets are changing Mexico's agricultural products. Mexico, for example, can no longer compete with Washington State as an apple producer and farmers have changed their crops to those that are more labor intensive, like chile. Moreover, while prices are unregulated, Mexico still regulates many of the farming inputs, like capital, fuel and fertilizer, making it more difficult for Mexican farmers to compete.

Mr. Jones noted in many ways, Mexico is two countries – north and south. Northwestern Chihuahua has more in common with New Mexico than it does with states to the south. And immigration is proving to be drain of the ambitious and skilled laborers that are needed in Mexico. Mr. Jones noted regrets for the absence of his brother Jeff Jones, a former Chihuahua Senator and now assistant secretary for agriculture.

Immigration: A Mexican Perspective. Sergio Zapata, Director of North American Affairs for the Foreign Ministry of Mexico, traveled from Mexico City to address the group, accompanied by Mexico's consul in Albuquerque. He spoke not only of the immigration issue but also on the greater US-Mexico bilateral relationship. There are many issues in this bilateral relationship that are often obscured by the problems of immigration. The complex set of actors—NGOs, corporations, government, the media, etc—always make unified policy difficult to achieve. There tends to be a misperception of the other in both countries, which is facilitated by the press. The international agenda—e.g. terrorism—and differences in foreign policy always impact the debate and relationship. Mexican communities in the US have an important economic role for both countries. There are 48 Mexican consulates in the US – the largest consul network in the country. There are high expectations for improvements in Mexico's democracy and reforms are just beginning. Mexico is continuing to invest heavily in fighting organized crime, including narcotraffickers. And there is a constant struggle to balance security and prosperity.

Senator Smith noted that NM and Chihuahua have much in common – families, agriculture, resources – and Chihuahua is the bread basket for Mexico. The drug element, however, is frightening to the U.S, and Mexico needs to commit more to the fight against drugs. Mr. Zapata agreed and noted that President Calderon has committed significant resources to this fight. In retaliation for this crack down on organized crime, there have been increased attacks against law enforcement. He pointed out that 64 people have been extradited to the US at the request of the US government in the first six months of President Calderon's tenure. This cooperation is critical to the fight. There must be more done at judiciary level to improve collaboration.

Several in the group noted that tourism to the region is hindered by the military checkpoints away from the border. In many cases, tourists are sent back to the border because they lack the proper permits and the checkpoints intimidate law abiding citizens.

Wednesday, September 12, 2007

The group reconvened at breakfast for a briefing on tourism and the pottery of Casas Grandes. Tim Maxwell, the former director of archeological studies for New Mexico,

reported on his 10 years of archeological work in the region. The agreement between the State of New Mexico and the Instituto Nacional de Antropología e Historia resulted in significant student achievements in both countries, numerous professional and educational contributions, and press coverage for the region. According to Mr. Maxwell, this type of working agreement is important and should be revived.

Spencer MacCallum, an anthropologist and art historian in Casas Grandes, discussed his involvement in promoting the work of Juan Quezada and the pottery of Casas Grandes. Mr. MacCallum and his wife see a great amount of economic potential in the tourism industry and have invested heavily in promoting the region.

After breakfast, the group departed for Colonia Juarez for a discussion about the Mormon community and its school, Academia Juarez. David Brown, Director General of the academy, addressed the group. More than 100 years old, the school remains relatively small at more than 400 students. It is highly regarded throughout Mexico for its bilingual curriculum, and is one of only a few schools still owned and operated by the Church of Latter Day Saints. The student body is approximately 15 percent students of “Anglo” descent and approximately 75 percent LDS. The dropout rate is low. The school is funded entirely by student tuition and the church. Most graduates continue to college, mostly in Mexico. It was suggested that New Mexico institutions NMSU and WNMU recruit at the school.

From Colonia Juarez, the group visited Mata Ortiz, a village of potters and artisans made famous by Juan Quezada. The visit marked the end of the trip, and the group returned through Janos, Ascensión and Palomas to Deming.