

OP-ED

# Modernizing cross-border trade infrastructure: A North American imperative for growth and security

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In today's interconnected world, international trade is the bedrock of our global economy, heavily reliant on the robust infrastructure that underpins these exchanges. Specifically, cross-border trade establishes a network that strings together the global marketplace. A critical element in this complex structure is the quality and efficiency of cross-border trade infrastructure. This infrastructure is instrumental in enabling trade and commerce, from physical facilities like roads, bridges, and ports to digital systems facilitating fluid transactions.

However, our conventional understanding of trade dynamics has changed as global supply chains undergo transformative shifts. A noticeable transition from globalization toward regionalization is evident, primarily driven by concerns about resilience, sustainability, and security in the face of geopolitical tensions, trade wars, and global crises. This pivot to regionalization has prompted a rising trend of nearshoring, with companies relocating their operations closer to home to reduce complexity and increase control. This shift has placed the spotlight on regional trade relationships, escalating the need for more efficient and reliable cross-border trade infrastructure. As the demand intensifies amidst changing dynamics, effective, innovative, and resilient cross-border trade infrastructure becomes increasingly crucial.

Let's explore the challenges, prospects, and potential solutions for developing state-of-the-art infrastructure to accommodate rising trade demands between the United States and México. From the nuances of border economics and policy implications to the transformative role of technology, let's analyze these components and their collective impact on shaping the future of cross-border trade in the region.

### **Current landscape: Infrastructure and**

#### **policy challenges**

The convergence of policy and infrastructure in facilitating cross-border trade is a multifaceted challenge that requires understanding both political nuance and practical necessities. From detailed environmental impact studies to coordinating with multiple regulatory agencies, these necessary steps can sometimes create tie-ups in the permitting process. While these checks and balances are required to ensure responsible development, they often take time to resolve, impeding these infrastructure projects from moving forward as swiftly as needed.

Combined with the inherent complexities of these projects, which can take years from planning to development and utilization, any additional delays or obstacles can stretch the timeline significantly, often resulting in 10-plus-year projects. The challenge lies in streamlining these processes without sacrificing the integrity and responsibility they provide so that the path to building cross-border trade infrastructure can be as smooth and efficient as the international trade it aims to support.

Along the Texas-México border, four major infrastructure projects are currently undergoing permitting processes: The Flor de Mayo International Bridge in Brownsville, the Puerto Verde Global Trade Bridge in Eagle Pass, and both the 4/5 Bridge and the expansion of the World Trade Bridge in Laredo, the largest inland port for commercial trucks in the United States.

The impasse status of these four infrastructure projects highlights the complex interplay between policy directives, environmental considerations, administrative practices, and the tangible need for infrastructure development. It also illustrates how a procedural detail can significantly impact cross-border trade infrastructure.

#### **Exploring the surge: Increased trade amidst infrastructure constraints**

Let's review some data to better understand the demand for new cross-border trade infrastructure. Trade volumes between México and the United States have tripled from

\$248 billion in 2000, when the last commercial truck bridge was built, to \$780 billion in 2022. A significant milestone occurred at the beginning of 2023 when México became the top U.S. trading partner, a position held by China since 2014. This shift came after fractious U.S. relations with China, resulting in tariffs and subsequent pandemic-era disruptions that altered international trade flows.

During the first four months of 2023, total trade between the U.S. and México reached \$263 billion, constituting 15.4 percent of all U.S. exports and imports. Canada followed at 15.2 percent, and China at 12.0 percent. This repositioning also led to Port Laredo emerging as the number one port among the United States 360 commercial ports, with a year-over-year increase of 7.4% in total commerce to \$28.1 billion in May.

Remarkably, when converting Port Laredo's total truck crossings to TEUs (Twenty-Foot Equivalent Units), a standard used to rank international ports, Port Laredo would place at number 11 in the 2022 Lloyds List of One Hundred Ports Ranking, with 14.31 TEUs between the seaports of Rotterdam and Dubai. Further highlighting its significance, U.S. — México international border truck crossings through the Port of Laredo are among the top, if not the largest, worldwide. Compared to the International Road Transport Union's (IRU) list of the most significant European truck crossing borders, Port Laredo's 5.4 million truck crossings in 2022 stand quite above key crossings like Dover-Calais on the United Kingdom and France border, Brenner Pass between Italy and Austria, and the Öresund Bridge, between Denmark and Sweden, trailing behind, with millions fewer trucks per year.

Despite this surge, cross-border trade infrastructure has evolved at a different pace, creating a pressing need for modernization. New global dynamics have further increased the trade relationship and integration between México and the U.S., emphasizing the urgency to expand and innovate the underlying support systems. The emergence of México as a leading trade partner, the dominance of Port Laredo, and the shifting global landscape all underscore a fundamental truth: existing cross-border trade infrastructure must catch up to ensure that it continues to fuel, rather than hinder, the trade engine that powers North America's economy.

### **Understanding the future: The rise of near-shoring**

In this ever-shifting global landscape, near-shoring has emerged as a significant trend that forecasts substantial growth in trade, especially between México and the U.S. The Inter-American Development Bank projects a \$30 billion increase in México's exports to the U.S. due to nearshoring. An estimated 40% of this increase, equivalent to \$12 billion, will transit through Port Laredo, adding to the existing \$150 billion of exports cleared through this Port. This additional trade volume, representing an 8% increase, translates to approximately 650 — 700 extra commercial truck crossings daily, further amplifying the demand for efficient and resilient border infrastructure. The rise of near-

shoring thus accentuates the need for modernization and strategic planning for regional cross-border trade systems.

What's driving this change? U.S. companies are actively working to reduce their dependence on Chinese suppliers, influenced by various factors: geopolitical tensions, trade uncertainties, and global crises like the COVID Pandemic. According to U.S. Census Bureau data, U.S. imports from China dropped 24 percent in the first five months of this year, reflecting this multifaceted shift in supply chain strategy.

México 's location, free trade agreements, and labor incentives have always attracted businesses. But with recent changes in how the world does business, including shifts in global supply chains, these advantages have become even more appealing. The trend toward nearshoring isn't just a fad; it's a significant change in how international trade works and México is positioned to benefit from this transformation.

The shift away from China is having a noticeable effect on the industrial real estate market in México and border cities in the United States, like Laredo. In Laredo, total investment in logistics facilities more than doubled from 2021 to 2022. Meanwhile, in México, the demand for industrial space has doubled in 2022 compared to 2019 levels, boosted by nearshoring. This surge in interest led to a sharp decline in vacancy rates to about 1%. Together, these trends highlight the reshaping of the industrial landscape in the region, influenced by changes in global trade dynamics.

The rise of nearshoring is shaping the future of cross-border trade and investment. As local economies adapt and grow, opportunities for innovation and expansion will multiply, and the demand for modern, resilient infrastructure will intensify. Nearshoring is not merely altering the trade map; it's redrawing it and opening a new era of economic possibilities.

### **Modern Cross-Border Trade Infrastructure: Integrating Logistechs for enhanced efficiency, security, and sustainability**

The imperative task of modernizing and enhancing border infrastructure cannot be understated. It requires a concerted effort from policymakers, industry leaders, and stakeholders at every level, driven by collaboration, innovation, and foresight. Modern commercial international bridges are pivotal connectors in global trade, symbolizing channels that facilitate the flow of goods, services, and information. Integrating Logistechs, or the application of exponential technologies in logistics, supply chain, and transportation sectors, is vital to this transformation. Opening avenues for automation, real-time data analytics, and smart infrastructure management enable systems to adapt and respond to fluctuating trade demands, adding layers of competitiveness, security, and efficiency to North America's trade landscape.

Beyond efficiency and competitiveness, building modern cross-border trade infrastructure extends to national security and traceability within international trade. Incorporating advanced monitoring systems with facial recognition, biometric scanners, RFID technologies, and integrated data analytics tools can augment border control measures, ensuring compliance with international laws and standards.

These technologies also provide greater traceability, allowing for detailed tracking and verification of goods across borders. However, a current challenge is the digital wall between U.S. Customs and Border Protection and its counterpart, the Agencia Nacional de Aduanas de México, as their systems need to communicate with each other adequately. A seamless interconnectivity between various security agencies would facilitate increased collaboration and quicker responses, but this still needs much work to bridge the gap between the U.S. and Mexican Customs systems. By doing so, we can build a robust defense without compromising trade flow, enabling businesses to benefit from streamlined processes, faster customs clearances, and greater transparency, all of which contribute to reduced costs and increased agility.

Modern commercial international bridges also herald a new era of sustainability in cross-border trade. By implementing advanced technology and innovative designs, these bridges can dramatically reduce commercial truck idling times. Intelligent routing systems, real-time traffic management, and streamlined customs procedures ensure smoother and quicker truck crossings. Reduced idle times align with broader sustainability goals, creating a synergy where technological innovation enhances trade efficiency and environmental stewardship.

### **Charting the path forward**

The profound need to evolve our existing cross-border trade infrastructure is clear. As global trade patterns shift, the focus on regionalization and nearshoring, coupled with emerging exponential technologies, emphasizes the necessity for a cohesive, innovative, and forward-thinking approach. This entails not only the physical construction of bridges and trade facilities but also the integration of modern technologies to foster transparency, traceability, and efficiency. Overcoming the current digital wall between U.S. and Mexican Customs systems will be vital to this transformation, ensuring that digital communication across borders is as seamless as physical movement.

The future of cross-border trade between the United States and México, primarily in vibrant hubs like the Texas-México border, requires a coordinated approach, integrating policy, technology, infrastructure, and international cooperation. The stakes are high, as these changes will set the stage for continued economic growth and integration in North America. Through a shared vision, innovation, and collaboration, modern cross-border trade infrastructure that meets current demands and anticipates the dynamic

needs of tomorrow's global marketplace can be crafted. The challenge merits our collective effort, expertise, and commitment, driving the region and the world toward a more connected, resilient, and prosperous future.

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