

**COMMENTARY**

# From neighbors to partners: The evolution of U.S.-Mexico trade



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In a constant recalibration of global trade dynamics, 2023 emerged as a pivotal year that redefined the economic contours between the United States and México.

México clinched the position of the top U.S. trading partner for this past year, a distinction achieved for only the second time in recent history, notably surpassing Canada's figures from the record-breaking year of 2022. And, for the first time in two decades, the U.S. imported more goods from México than from its long-standing primary supplier, China.

This significant shift transcends mere data analysis interest; it manifests deeper,



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World Trade Bridge in Laredo, Texas.

systemic changes reshaping the landscape of international commerce. It signals a momentous realignment, driven by a confluence of economic, geopolitical, and logistical factors, pointing towards a future where agility, proximity, and strategic partnerships reign supreme.

This development is emblematic of México's ascension in the international trade arena, prompted by a nearshoring trend and against the backdrop of tensions in U.S. — China trade relations, underscoring a strategic pivot towards leveraging geographical proximity, economic synergies, and the robustness of bilateral trade frameworks to fortify economic resilience and operational efficiency in a rapidly evolving global market landscape.

This strategic realignment, favoring México over other traditional trading partners, didn't materialize overnight but was the culmination of a series of incremental shifts and policy adjustments that set the stage for México's rising prominence.

The data over the years provides a clear trajectory of this evolution, where each percentage point increase in México's share of U.S. imports and total trade is accompanied by corresponding legislative and economic reforms that lead to this milestone. The steady growth in trade volumes and the increasing integration of the two economies reflect a strategic effort to harness the benefits of geographical proximity and shared economic interests. This longterm trend underscores the foresight of policymakers and business leaders in both nations, who have, over the years, laid the groundwork for a more interconnected and mutually beneficial trade relationship.

The trajectory of U.S. — México trade under the North American Free Trade Agreement (NAFTA) and its successor, the United States- México-Canada Agreement (USMCA), tells a compelling story of growth, resilience, and strategic repositioning. Beginning with the passing of NAFTA in 1994, U.S. — México total trade accounted for \$100 billion, setting the stage for an evolving economic alliance. In just six years, by 2000, this figure had more than doubled, reaching \$247 billion and highlighting México's expanding role in North America.

As the 2008 financial crisis loomed, U.S. — México trade peaked at \$367 billion, reflecting the growing dependence on México's manufacturing sector and its strategic significance to the U.S. economy. However, the crisis's impact in 2009 was unmistakable, with trade between the two nations experiencing a 24% downturn, reducing the trade volume to \$306 billion. Despite this significant contraction, the resilience of México's economy was evident, as it managed to maintain a substantial share of U.S. imports, underscoring its enduring importance and the inherent strength of its trade relationship with the United States...even amidst global economic turbulence.

2010 was a rebound year, with México's trade value surging by 25% to \$394 billion, demonstrating not only recovery but also the growing trust and interdependence between the two nations' economies. The introduction of the USMCA and heightened U.S. — China trade tensions in 2018 catalyzed a more pronounced realignment towards México, with its trade share continuing to climb, reflective of its strategic ascendancy in the North American trade arena.

By 2019, a historic milestone was reached as U.S. — México trade surged to \$611 billion, indicative of México's central role in North American trade dynamics and leading to México overtaking the top trading partner spot with the U.S. for the first time. The challenges of the COVID-19 Pandemic in 2020 saw a 13% contraction to \$534 billion, yet this did not diminish the growth trajectory and

strategic importance of U.S. — México trade relations. The subsequent years, particularly the post-Pandemic period, led to a resurgence in trade volumes, with 2021 marking a significant 25% rebound to \$661 billion despite global economic uncertainties.

2022 further amplified this growth, with trade volumes expanding to \$779 billion, a testament to the nearshoring trend and a strategic pivot towards more resilient supply chains. By 2023, the trade volume between the U.S. and México reached a staggering \$799 billion, showcasing the force of this trade relationship and positioning México as a critical player in the global trade ecosystem, surpassing traditional powerhouses like China.

This strategic pivot towards México has profound implications for North America's economic landscape and the global trade ecosystem. It indicates a diversification of the U.S. import portfolio, potentially mitigating risks associated with geopolitical tensions and supply chain vulnerabilities. It emphasizes the importance of regional trade blocs and the benefits of nearshoring. As the global trade environment continues to evolve, México's role as a central player in North American trade is expected to strengthen further, potentially setting new precedents in international trade dynamics.

This presents an unprecedented opportunity for México to solidify its status as a manufacturing powerhouse, attracting foreign investment and driving job creation. On a global scale, this shift may signal a move towards regionalizing trade as nations seek stability and resilience in their supply chains.

This shift also underscores the need for businesses and policymakers to adapt to the changing landscape, leveraging the opportunities presented by closer economic ties and the evolving trade infrastructure. Now, more than ever, the U.S. — México trade corridor represents a critical hub of economic activity, promising mutual growth, and prosperity for both nations in the face of shifting global trade currents. As borders are redefined and alliances are reshaped, the U.S.- México trade dynamics result from the transformative potential of strategic economic collaboration in the 21st Century.

The potential for enhancing the efficiency of trade flows between México and the United States is intrinsically linked to the transformative potential of innovation and exponential technologies. Harnessing advanced logistics solutions, including A.I.- driven supply chain management, IoT (Internet of Things) applications in manufacturing, and blockchain for secure and efficient customs processing, is pivotal in elevating operational efficiencies.

Alongside the critical need to develop new commercial international crossings, these technologies serve as key enablers in streamlining cross-border trade and bolstering its resilience against disruptions, thereby paving the way for setting new benchmarks in international trade for the digital age.

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