

Laredo

Gateway
to
Mexico



Important Facts:

- The Port of Laredo is the largest port of entry on the U.S.-Mexico border, and the third largest inland border port of entry behind Detroit, MI and Buffalo, NY.
- The Port of Laredo handles over 40 % of U.S.-Mexico trade.
- Over 9,320 trucks cross at the Port of Laredo daily.

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Vision 2005

Economic Outlook Report

Formulating a Vision

The Purpose of the Vision 2004 Conference and Trade Mission

During the past two centuries, Laredo has been at the crossroads of U.S.-Mexico trade and commerce. As the city of 201,139 inhabitants enters the new millennium, Laredo will continue to shape the destiny of the region. Tremendous efforts are underway to maintain a competitive business environment. In this regard, extensive participation by the business community will hallmark how well we are prepared to address both the increase in growth and commerce.

The Laredo Chamber of Commerce, over 700 members strong, has a vision and goal to foster the ongoing betterment of the community and region as well as encourage and promote the maintenance of a competitive business sector. There are three prime factors that bode well for the future of Laredo: first is the growing active work force, second the continued diversification of all economic sectors, and third, a significant public-private infrastructure initiative to enhance all areas of the region's transportation corridors and support services.

The 2005 Vision Conference intends to focus on the dynamic commercial viability of the city and the traditional linkages with counterparts in Mexico and the South Texas region. The membership of the Laredo Chamber of Commerce looks forward to continued regional and transnational cooperation. Thus, this publication is a snapshot of Laredo's recent growth and trade activities.

Laredo's Economy Shows Strong Growth in 2004

By J. Michael Patrick, Regents Professor and Director, Texas Center for Border Economic and Enterprise Development
Texas A&M International University

With the U.S. and Mexican economies growing once again, Laredo's economy strengthened substantially in 2004. Nearly all key economic indicators were up, including pedestrian (9.4 percent), truck (3.7 percent), and rail (3.6 percent) crossings (Charts 1, 3 and 4). Bridge revenues (Chart 6) were up (3.4%); gross landed weight (Chart 5) at Laredo's international airport jumped 30.9 percent; retail sales (Chart 9) and retail sales rebates (Chart 10) increased by 7.7 percent and 14.7 percent, respectively; and building/construction activity (Chart 7) jumped by 52.8 percent. Business starts were up by 3.5 percent, adding 124 new businesses; employment grew by 5.1 percent, adding 3,600 new jobs to the local economy. Vehicle crossings (Chart 2) were the only area that showed a decline (1.4 percent) in 2004.

International Trade and Commerce

After a decade (1990-2000) of red-hot growth (30 percent per year on average), U.S.-Mexico trade cooled off in the early 2000s, dropping 5.9 percent in 2001 and 0.3 percent in 2002, recovering slightly (1.5 percent) in 2003. U.S.-Mexico trade rebounded in 2004, posting a strong 13.1 percent gain (Chart 13, see related story—*Trade Is Up at the Laredo Port of Entry*, pg. 10). Shipments through the Port of Laredo, the largest in-land port on the southern border, increased by 3.7 percent, raising Laredo's total dollar share of U.S.-Mexico overland merchandise trade (Chart 16) from 40.6 percent (\$78.8 billion) to 41.6 percent (\$89.7 billion).

Pedestrian crossings (Chart 1) in 2004 were up 9.4 percent, recovering from a 5.5 percent decline in 2003. Vehicle crossings (Chart 2), however, declined 9.7 percent in 2004, continuing a decline that began in 2000. The drop can be attributed to the decline in U.S.-Mexico cross-border commerce with the weakening of the two economies beginning in 2000, heightened security and delays at the border following the September 11, 2001 terrorist attacks in New York City and Washington D.C., and the implementation of the new laser visa requirements in 2001.

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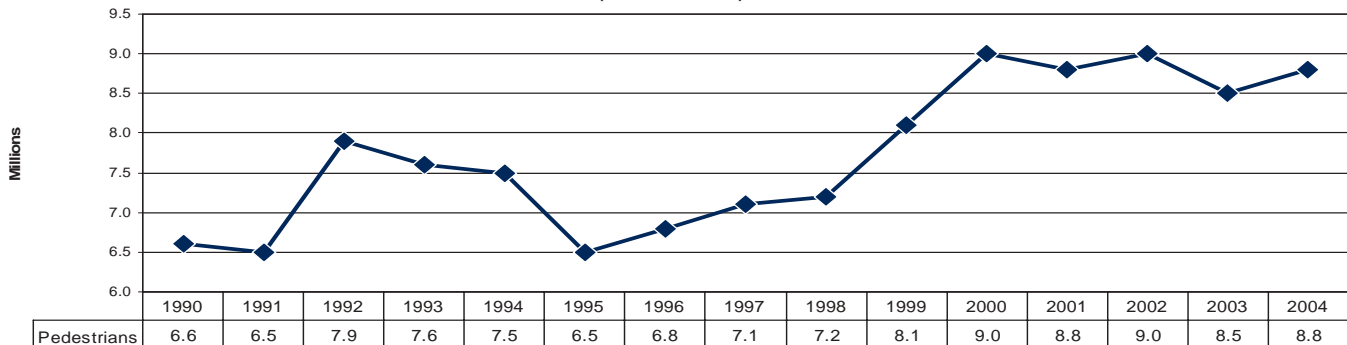
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While the Laredo economy did not suffer noticeably from the events of September 2001, some businesses, particularly those catering to cross-border shoppers, did experience a drop in sales due to long delays and difficulties crossing the border. A survey, conducted by the Texas Center at Texas A&M International University, of 300 downtown businesses found that more than 60 percent of sales were to cross-border

shoppers. Many of the store owners/managers interviewed reported that the events of September, particularly the implementation of the new laser visa requirements, did have a negative effect on their business. They reported declines of 15 percent to 30 percent in sales during the months of September through December, 2001, compared to the same months in 2000.

PEDESTRIAN CROSSINGS

**Chart 1
Pedestrian Crossings at Laredo
(North and South)**



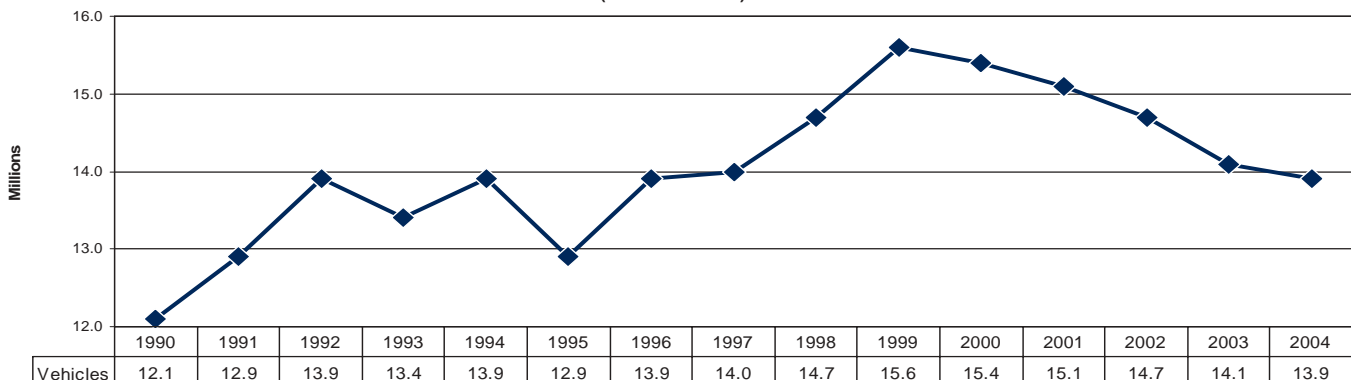
Source: Laredo Bridge System and Mexico's Oficina de Caminos y Puentes data compiled by the Texas Center at Texas A&M International University.

Although the decline in vehicle crossings continues, its magnitude has abetted somewhat as shoppers and visitors have adjusted to the new realities of increased congestion and wait-times at the border. Anecdotal accounts suggest that cross-border shoppers have adjusted their travel and shopping habits; they are coming less frequently, staying longer, and purchasing more during each visit. The outcome is that cross-border retail sales remain strong. The effect on bridge revenues from the decline in vehicle crossings is less clear however, since bridge fees have increased in recent years, offsetting some of the bridge revenue losses due to fewer crossings.

After declining 6.8 percent in 2003, truck crossings (Chart 3) recovered in 2004, growing 3.7 percent. Rail crossings (Chart 4) in 2004 continued their long-term growth, increasing by 3.6 percent. Air cargo (gross landed weight), after growing 5.4 percent in 2003, increased sharply by 30.9 percent (Chart 5). In recent years, many maquiladoras have shifted to air freight for timely deliveries of materials and component parts to their plants to minimize inventory costs. Changes in maquiladora activity consequently have a direct effect on the use of air freight services. With the recent growth in the U.S.-Mexico economies, maquiladora activity has begun to pick up, increasing the demand for air cargo services.

VEHICLE CROSSINGS

**Chart 2
Vehicle Crossings at Laredo
(North and South)**



Source: Laredo Bridge System and Mexico's Oficina de Caminos y Puentes data compiled by the Texas Center at Texas A&M International University.

To put Laredo's border crossings in perspective, in 2004, 24,719 pedestrians, 38,082 vehicles, 9,320 trucks, and 1,362 railcars passed through the Laredo Port of Entry daily. Laredo accounted for 19.3 percent of the all pedestrian, 25.3 percent of all vehicle, 51.5 percent of all truck, and 69.9 percent of all rail car crossings at Texas' ports of entry in 2004.

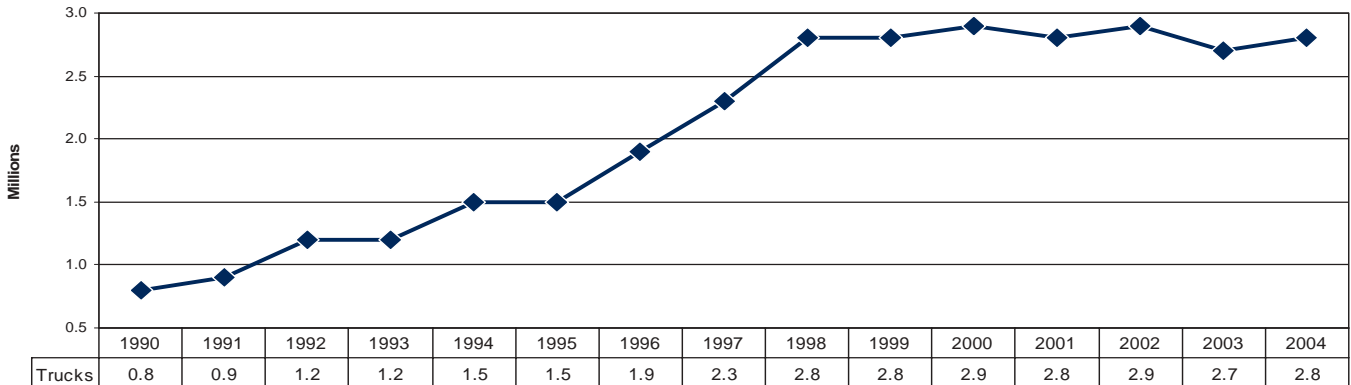
According to the U.S. Department of Transportation, roughly 83.2 percent of U.S.-Mexico trade (dollar value) moves by truck and rail. In 2004, the Laredo Port of Entry

accounted for 41.1 percent (\$89.4 billion) of the total value of U.S.-Mexico overland merchandise trade, making it one of the busiest ports of entry in the hemisphere.

If the total number of trucks processed in 2004 at Laredo's port of entry were lined up bumper-to-bumper, they would stretch from Mexico City to a point 81 miles north of Kansas City, MO. Because of the large volume of traffic moving through Laredo, the port has been selected by the U.S. Customs Service as the testing site for two new programs—

TRUCK CROSSINGS

Chart 3
Truck Crossings at Laredo
(North and South)



Source: Laredo Bridge System and U.S. Customs Service data compiled by the Texas Center at Texas A&M International University.

The North American Trade Automation Program (NATAP) and the National Customs Automation Program (NCAP). Both programs are designed to improve the efficiency and speed of processing shipments at the border. Laredo, with four bridges operating around the clock, is pursuing the construction of a 5th bridge. The Texas Department of Transportation has a multi-year construction plan to upgrade and improve access roads and major highways in the area to accommodate growing trade-related traffic and relieve congestion.

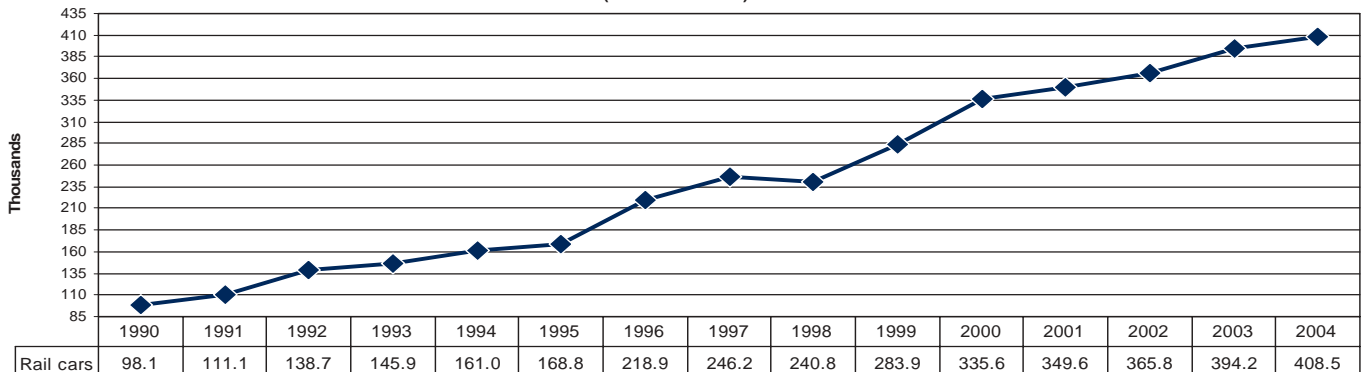
In an attempt to capture the full benefits of increased trade with the U.S., Mexico has privatized many assets previously

held by the public sector, including the railroads. More than \$1.0 billion (U.S.) will be invested over the next five years to upgrade and improve Mexico's stock of locomotives and rail cars. In addition, a consortium involving Transportación Ferroviaria Mexicana (TFM), Kansas City Southern Industries, the Texas Mexican Railroad, and Transportes Maritima Mexicana, has committed to upgrade and modernize rail service between Laredo and Mexico City.

After a decade (1900-2000) of spectacular growth, averaging 8 percent per year, Laredo's International airport suffered a sharp decline in activity (gross landed weight) of 50.8 percent

RAIL CAR CROSSINGS

Chart 4
Rail Car Crossings at Laredo
(North and South)



Source: Data provided by railroad companies and compiled by the Texas Center at Texas A&M International University.

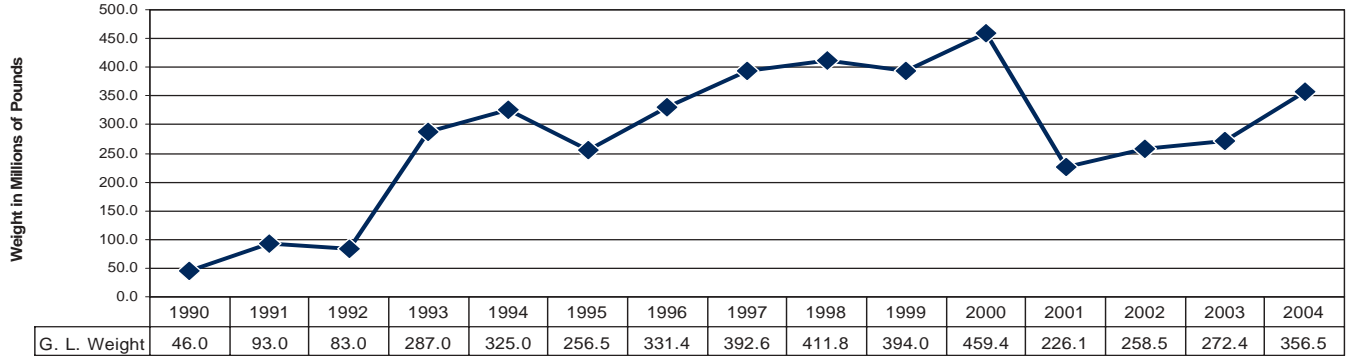
in 2001. The principal cause for the drop was the down turn in U.S.-Mexico trade, particularly with the maquiladora industry. Since then, the airport experienced gradual increase in activity in 2002-2003, rising sharply (30.9 percent) in 2004. Today, officials are moving to diversify the airport's customer base and are also keeping close a watch on the Free Trade Area of the Americas (FTAA) negotiations. The passage of the

proposed hemispheric trade agreement is expected to increase the volume of air cargo moving through the Laredo International Airport.

Reflecting Laredo's overall growth in international trade and commerce, local bridge revenues (Chart 6) have steadily increased over the past decade. Notwithstanding a 18.6 percent drop in revenues, in 1995, Laredo's bridge system

INTERNATIONAL AIR CARGO

Chart 5
Gross Landed Weight at Laredo International Airport
(Millions of Pounds)



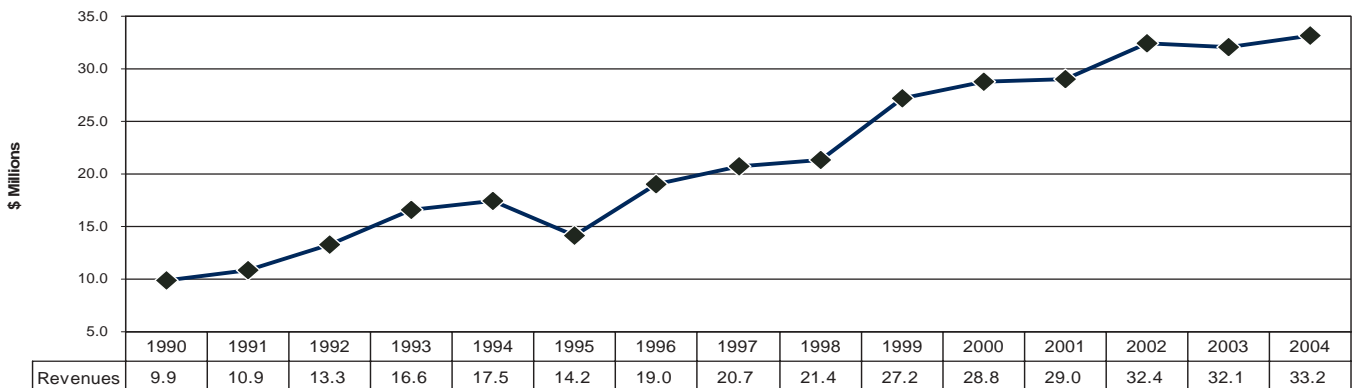
Source: Data provided by the Laredo International Airport.

posted a 191 percent increase in revenues for the 1990s. Following modest growth (0.7 percent) in 2001, bridge revenues grew 11.7 percent in 2002, reaching an all time high

of \$32.4 million. In 2004, bridge revenues set a new high of \$33.2. Local bridge revenues are an important source of revenue for the city.

BRIDGE REVENUES

Chart 6
Bridge Revenues for Laredo



Source: Laredo Bridge System data compiled by the Texas Center at Texas A&M International University.

Local Economic Activity

Spurred by strong population growth and economic opportunity, Laredo's building/construction activity (Chart 7), retail sales (Chart 9), and employment (Chart 11) have steadily increased over the past 15 years.

After a decade of unprecedented growth, Laredo's building/construction industry (Chart 7) posted its best year ever in 2002, with building permit values topping \$354 million, only to drop 27.8 percent in 2003. In 2004, building/construction activity rebounded, soaring 52.8 percent, to a new high of \$390.8 million.

Population growth, economic expansion, and growing infrastructure needs have been the driving forces behind Laredo's robust construction industry. Industry prospects appear to be good for future years as plans are being drawn-up for new construction, expansions, and improvements in the community's infrastructure including hospitals, ambulatory health care facilities, elementary schools, middle schools, high schools, and local university and community college.

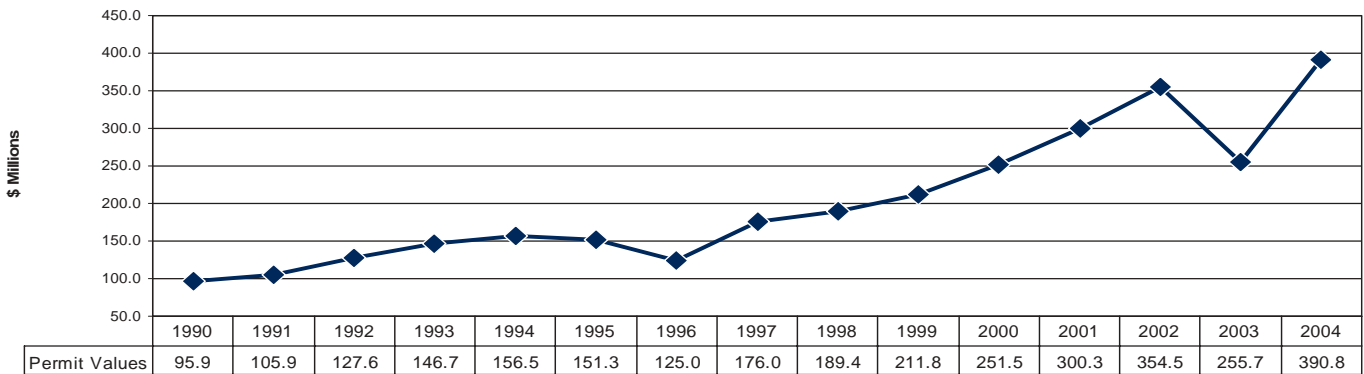
In addition, plans are in place for expansions and improvements to existing transportation infrastructure and warehousing facilities as well as construction of new warehousing space, industrial park sites, and commercial properties. The demand for residential housing is expected to remain strong for some time as builders struggle to meet the needs of a young and growing population.

While total building permit values have risen consistently over the past decade, fluctuations and swings better describe

the behavior of the building and construction industry's subsectors (Chart 8)—warehousing/industrial, commercial/retail, multi-family and single and two family. Between 1994-2004, the warehousing/industrial subsector experienced a 792.9 percent spread between the year with the highest (1999) and the lowest (1996); multi-family had an 931.3 percent spread between the highest (2002) and lowest (1996) year; commercial/retail had a 376.3 percent spread between the highest (2001) and lowest (1994) year;

BUILDING AND CONSTRUCTION

Chart 7
Laredo Building Permit Values (All Structures)



Source: City of Laredo's data compiled by the Texas Center at Texas A&M International University.

and, single and two family had a 281.3 percent spread between the highest (2004) and the lowest (1995).

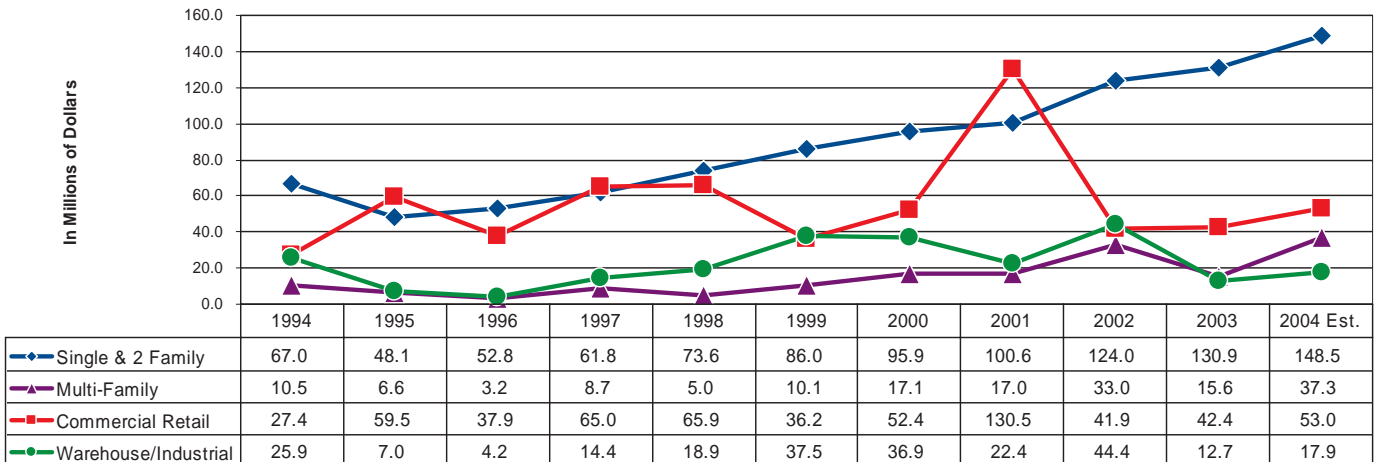
Building and construction decisions are not spur of the moment decisions. They normally require months, sometimes years, of study and planning. A number of factors come into play when considering the performance of the different building and construction industry subsectors. Current and

future growth trends in the local economy, the cost of financing, and competition influence building and construction decisions in the warehouse/industrial and commercial/retail subsectors. Population growth, consumer purchasing power, and affordable financing shape building and construction decisions in the multi-family and single and two family subsectors.

(Continued on page 8)

BUILDING PERMITS BY INDUSTRY SUBSECTOR

Chart 8
Laredo Building Permit Values by Industry Subsector



Source: City of Laredo and Laredo Development Foundation data.

Laredo Leads State in Job Growth By J. Michael Patrick, Ph.D.

Laredo leads the State of Texas in the creation of new jobs. Between 2000 and 2004, Laredo created new jobs at the rate of 3.6 percent annually, compared to 0.8 percent for the State and 1.8 percent for the border region (Table 1, pg. 6). Laredo added roughly 12,000 new jobs to its economy in the 2000-2004 period. The City's unemployment rate dropped from 6.8 percent to 5.9 percent in 2004, placing it slightly above the State average of 5.4 percent. Laredo's unemployment rate was the lowest amongst border metropolitan areas in 2004: 5.9 percent compared to 7.4 percent for El Paso, 8.4 percent for McAllen, and 11.2 percent for Brownsville.

Table 1
Border Employment
2000-2004

	2000	2004	% Change	Gain/Loss (N)
Brownsville	44,310	48,124	8.6	3,814
Del Rio	13,936	15,448	10.9	1,512
Eagle Pass	8,736	9,856	12.8	1,120
El Paso	238,029	247,772	4.1	9,743
Harlingen	25,455	27,647	8.6	2,192
Laredo	65,053	76,786	18.0	11,733
McAllen	45,943	54,042	17.6	8,099
Pharr	13,700	16,115	17.6	2,415
Rio Grande	4,621	5,651	22.3	1,030
Border	459,783	501,441	9.1	41,658
Texas	9,960,436	10,335,723	3.8	375,287

Source: Texas Workforce Commission

Besides leading the State in job growth in the 2000-2004 period, Laredo also recorded the fastest growing labor force at 3.5 percent annually, compared to an 0.8 percent annual increase for the State, and 1.9 percent annual increase for the border region.

In 2004, the Laredo MSA (Webb County) experienced a 4.6 percent increase in its job growth, adding 3,600 new jobs to the local economy. The leading job gainers by industry were: government (800), transportation, warehousing, and utilities (700), and retail and education and health services (500 each) (Table 2, pg. 7).

The strong employment growth exhibited in all industries of Laredo's economy in 2004 is likely to continue in 2005 and beyond. A number of factors favor continued growth, including:

- The strengthening U.S. and Mexican economies and growth in trade between the two countries.
- A recovering maquiladora industry with expansion in the automotive, electronics, and electrical equipment sectors; sectors where Texas is the U.S.'s leading exporter.
- A major \$20 million redevelopment project designed to revitalize Laredo's historic downtown district, promote tourism, shopping, dining and entertainment. Project activities include revitalizing existing stores and shops (Streets of Laredo Urban Mall Project); renovation of the old River Drive Mall to house national outlet stores and restaurants with outdoor seating overlooking the Rio Grande River (El Portal Center); development and promotion of heritage tourism (Villa Antigua Project), and renovation of the La Posada Hotel/Suites.
- The successful promotion of Laredo as a major convention, business and tourism destination. In the third quarter of 2004 (latest available data), Laredo lead all state metropolitan areas with a 68 percent hotel occupancy rate. Fourth quarter estimates place Laredo's hotel occupancy rate at 77.4 per-

cent. Laredo has already landed several major conventions, meetings, and events for 2005 that will bring well over 1,000 visitors to town for several days stay, including the Miss Texas USA Pageant, the Dodge Central Hockey League All-Stars Game, and the annual meetings of the Society of Government Meeting Professionals, Texas Downtown Association, Texas Institute of Transportation Engineers, and the Texas Association of Housing & Redevelopment.

- The City has plans to initiate major multi-million dollar capital improvement projects to enhance transportation (airport and bridge system) and water infrastructure in 2005, providing for the community’s future economic growth. The projects will generate numerous short to medium term jobs in the construction industry.
- The demand for residential housing will remain strong for the foreseeable future to accommodate a young and rapidly growing population. Construction to meet the growing demand for new schools and health care facilities will also remain strong in 2005 and beyond. The growth in overnight business stays and tourism have contributed to Laredo’s persistently high occupancy rates. Several new hotels are under construction and more are planned for 2005 including the Residence Inn-Marriot, Homewood Inn, and Embassy Suites.

Table 2
Laredo MSA* Employment Growth
2004

Industry	2003	2004	Share	N	Change
			'04		'03-'04
			%		%
Total	77,300	80,900	100.0	3,600	4.6
Natural Resource & Mining	1,300	1,300	1.6	0	0.0
Construction	2,500	2,600	3.2	100	4.0
Manufacturing	1,100	1,300	1.6	200	18.2
Wholesale	2,500	2,600	3.2	100	4.0
Retail	12,000	12,500	15.5	500	4.2
Transportation, Warehousing, Utilities	11,600	12,300	15.2	700	6.0
Information Services	600	600	0.7	0	0.0
Financial Services	3,200	3,300	4.1	100	3.1
Professional & Business Services	4,400	4,700	5.8	300	6.8
Education & Health Services	10,700	11,200	13.8	500	4.8
Leisure & Hospitality Services	7,000	7,200	8.9	200	2.6
Other Services	1,800	1,900	2.3	100	5.6
Government	18,600	19,400	24.0	800	4.3

* Webb County

Source: *Texas Labor Market Review*, Texas Workforce Commission, January 2005

Laredo has achieved the critical threshold where its population size and economic diversity can sustain and propel its future economic growth. Its geographical position at the center of the NAFTA market, internationally savvy business/financial community, and bi-lingual and culturally sensitive workforce will attract many investors and businesses looking for a home base from which to conduct business throughout the hemisphere. **V**

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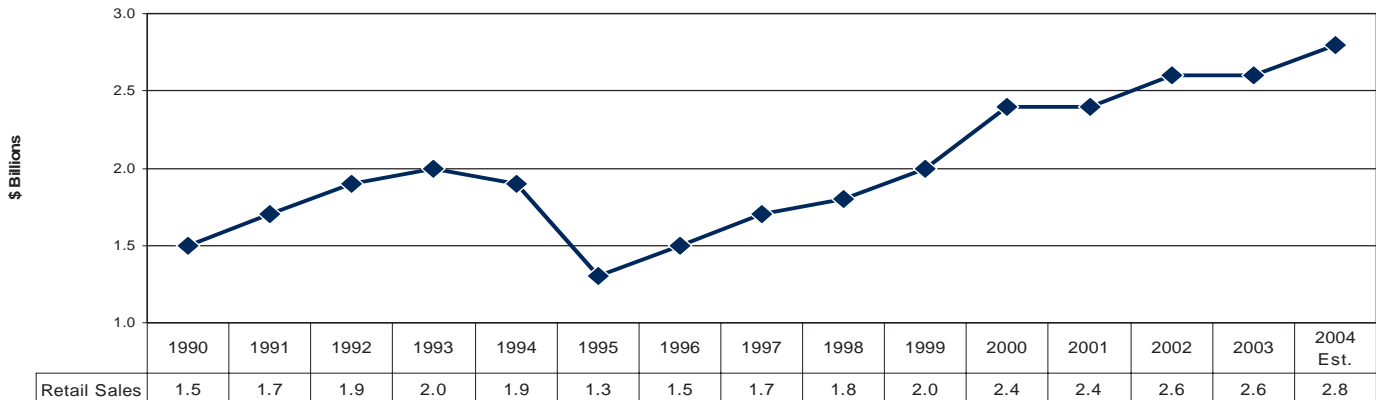
Local and cross-border retail sales constitute a major component of Laredo's economy. Retail sales account for over 50 percent of total sales, and provide income and employment opportunities to over a quarter of the area's residents. Notwithstanding a 31 percent decline in 1995 following the peso devaluation, Laredo's retail sales (Chart 9) grew 53.3 percent between 1990 and 2000. Even after accounting for the economy's slowdown and the tightening of

the border following the September 11th terrorist attacks, retail sales for 2001 did not fall below their 2000 level. In 2004, retail sales posted strong 7.7 percent growth.

Laredo's sales tax rebates (Chart 10) grew 14.7 percent in 2004, reaching a new record high of \$26.4 million. Between 1990-2000, Laredo's sales tax rebates (Chart 10) increased 91.7 percent, despite the 20.1 percent decline suffered in 1995 following Mexico's peso devaluation. Today, Laredo's retail

RETAIL SALES

Chart 9
Laredo Retail Sales



Source: Texas Comptroller of Public Accounts

sector is much more insulated from the wild swings of past years when the economy was more heavily dependent on cross-border Mexican shoppers. Laredo's large, young, and growing local population provides stability to the area economy and retail sector.

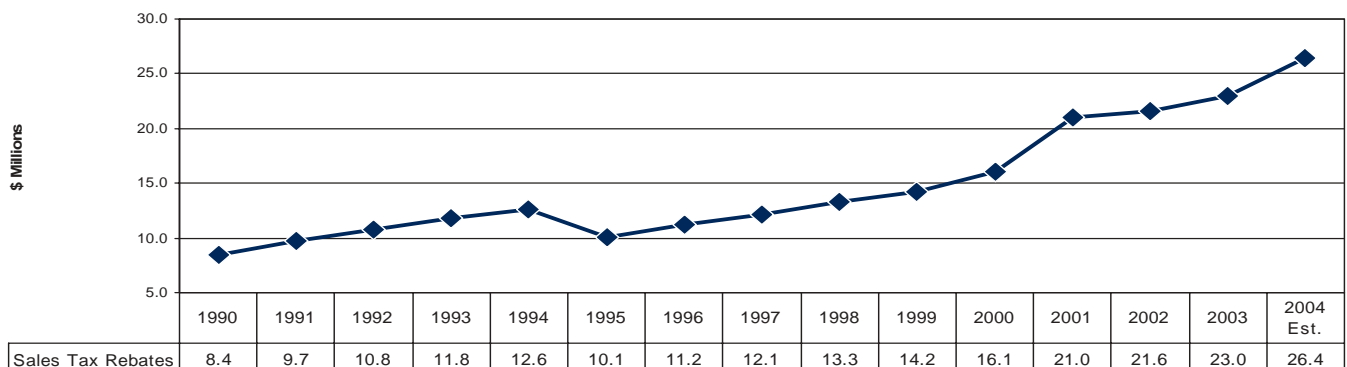
Local bridge revenues and retail sales tax rebates have always been an important source of local revenue. Between 1990 and 2004, funds available to the City of Laredo from these two sources grew 226 percent, from \$18.3 million to \$59.6 million. In 2004, on a per capita basis, the dollars available to City of Laredo from these two sources was

\$272.15, nearly double the amount (\$136.04) available in 1990.

A measure of the strength of a local economy is its ability to generate jobs. Between 1990 and 2004, Laredo's robust economy created 31,072 new jobs (Chart 11). During this period, Laredo's rate of job creation (68.1 percent) was more than two times that of the State rate (28.3 percent). The Laredo economy created 3,672 new jobs in 2004, a 5.0 percent gain over 2003 (Chart 11). Clearly, Laredo's economy is capable of generating jobs. Notwithstanding the City's rapid population growth, it has made substantial progress towards

SALES TAX REBATES

Chart 10
Sales Tax Rebates for Laredo



Source: Texas Comptroller of Public Accounts

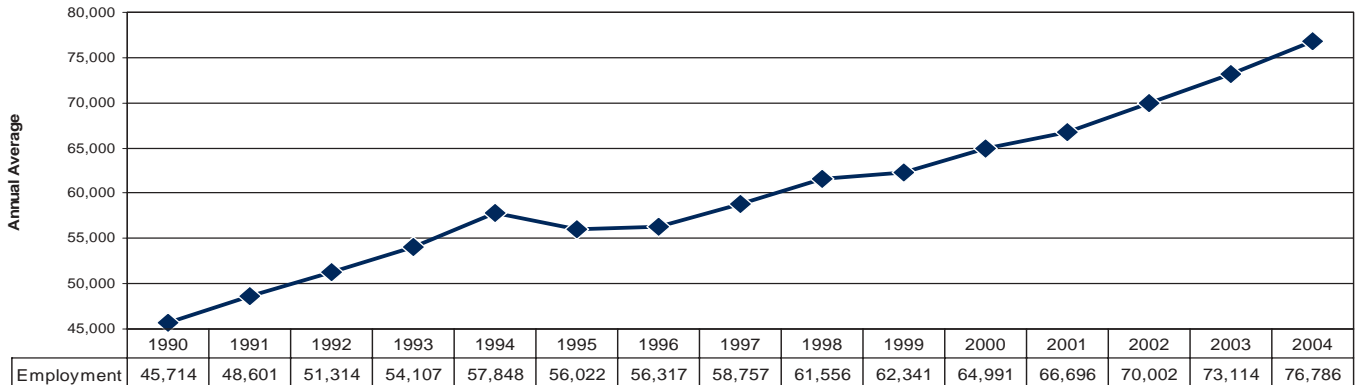
reducing its unemployment rate compared to other border cities and the State (see related story— *Laredo Leads State in Job Growth*, pgs. 6 and 7). Ironically, Laredo’s economic success is a contributor to its unemployment problem. The more jobs it creates, the more new job seekers it attracts to its workforce.

Laredo’s economy is primarily a service economy with less than 2 percent of the jobs in goods producing sectors, compared to 17 percent for the State in 2004. Over 65 percent of Laredo’s jobs are concentrated in the trade (18.7 percent),

services (35.6 percent) and transportation (15.2 percent) sectors. Another 24.0 percent are in the government sector. Laredo sectors experiencing the greatest growth over the past decade have been transportation (90.2 percent), services (88.3 percent) and construction (71.4 percent). Federal government employment also increased 122.2 percent. These job figures do not come as a surprise since they reflect the profile of a community that is undergoing rapid population growth, and one that is highly specialized in international trade and commerce.

EMPLOYMENT

Chart 11
Laredo Employment



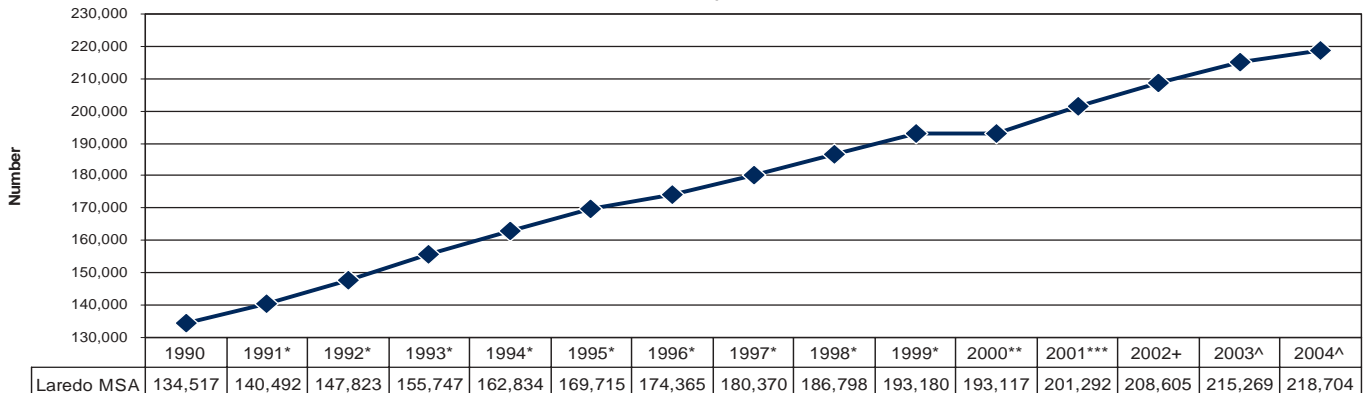
Source: Texas Workforce Commission data compiled by the Texas Center at Texas A&M International University.

According to the U.S. Census Bureau, in 2004 Laredo’s population (Chart 12) stood at 218,704. Laredo’s annual population growth rate of 3.3 percent, over the past decade, has been roughly twice that of the State—1.8 percent. With continued expansion of U.S.-Mexico trade and economic

integration likely in future years, Laredo can expect to remain one of the fastest growing metropolitan areas in the nation. The Texas Data Center projects that Laredo’s population will reach 400,000 by 2030. V

POPULATION

Chart 12
Laredo MSA Population



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis’ population figure for 1990 and *estimates for 1991-99.

** U.S. Census Bureau, Census 2000 Redistricting Data (Public Law 94-171) Summary File, Matrices PL1, PL2, PL3, and PL4.

*** U.S. Census Bureau, Population Estimates, July 1, 2001

+The Texas State Data Center, The Texas State Population Estimates and Projections Program, July 1, 2002 and January 1, 2003.

^The Texas State Data Center, The Texas State Population Estimates and Projections Program, July 1, 2003 and January 1, 2004.

Trade Is Up at the Port of Laredo By J. Michael Patrick, Ph.D.

U.S.-Mexico trade is back and so are shipments through the Port of Laredo. U.S.-Mexico trade grew 13.2 percent in 2004, topping \$260 billion, surpassing its previous high of \$250 billion in 2000. The dollar value of U.S.-Mexico trade passing through the Port of Laredo in 2004 (\$82.3 billion) posted a 13.5 percent gain over 2003 (\$72.5 billion). Laredo truck and rail crossings in 2004 were up 3.7 percent and 3.6 percent over 2003; while gross landed air cargo at Laredo's international airport was up 34.2 percent (Charts 1, 3, and 4, pgs. 2-3).

Laredo remains the port of choice for U.S.-Mexico overland merchandise trade, accounting for 41.1 percent of the total value of trade between the two countries in 2004 (Chart 16, pg. 11). Laredo crossed more than twice the trade (\$82.3 billion) than its nearest competitor, El Paso (\$39.5 billion, Table 4, pg. 11).

Trade between the U.S. and Mexico dropped between 2000 and 2003, primarily because of slower economic growth in both countries. During this period, gross domestic product (GDP) growth fell to 1.6 percent per year on average in the U.S. and 0.6 percent in Mexico. Currently, with both countries growing sharply, U.S.-Mexico trade is back on track, rising at an annual rate of 13.2 percent in 2004.

About 80 percent of U.S.-Mexico total trade is intra-industry, i.e., trade of similar goods within the same industries. U.S.-Mexico trade is primarily maquiladora-led intra-industry trade.

A recent Dallas Federal Reserve conference focused on the question: Is Mexico's maquiladora downturn due to cyclical factors or structural changes? Between 2000 and 2003, the industry lost 278,000 jobs- a 21 percent decline. Many border communities, including Laredo, were affected by the downturn. Jobs lost on the Mexican-side translated into lower purchases and sales on the U.S.-side. Conference speakers concluded the downturn was due to both cyclical factors and structural changes.

Cyclical factors: The poor performance of the U.S. economy, particularly industrial production, was identified as the number one determinant of the maquiladora industry downturn. **Structural factors:** Rising wages in Mexico's maquiladora industry coupled with the growing competition of cheap foreign labor sparked the move of labor-intensive apparel, textile, some electronics, and toy production to China and other labor abundant countries.

The speakers however noted, Mexico remains an important production site and trading partner for products that compete based on proximity to market and improved skills, including bulky items such as autos and appliances; goods with complicated production cycles; output for which quality is more important than price; and instances where intellectual property must be protected.

Looking to the future, the speakers concluded that Mexico needs to achieve fiscal, energy, telecommunication, and educational reforms to provide the competitive backdrop necessary for the successful transition to the next generation of maquiladoras that will depend on higher levels of manage-

ment and engineering skills as they move up the product life cycle.

The importance of maquiladora industry to the Laredo Port of Entry can be seen in the numbers. Transportation equipment, electric and electronics and machinery and tools account for roughly 90.0 percent of the top ten product categories moving through the Laredo Port of Entry (Table 3, pg. 10). These product categories account for over 80 percent of Mexico's maquiladora industry output.

In addition to being the maquiladora industry's port of choice, Laredo is a leading port for U.S. agricultural exports to Mexico, accounting for nearly 80 percent of U.S. shipments of animal feed and animal and vegetable fats and oils, crude and processed, to Mexico in 2004. The U.S. Department of Commerce uses a 64 product category format (SITC) to classify products moving across U.S. borders. When it comes to U.S.-Mexico trade, Laredo was the number one port of entry for 40 of the 64 categories in terms of total dollar value in 2004. The top ten product categories moving through the Laredo Port in 2003 and 2004 were:

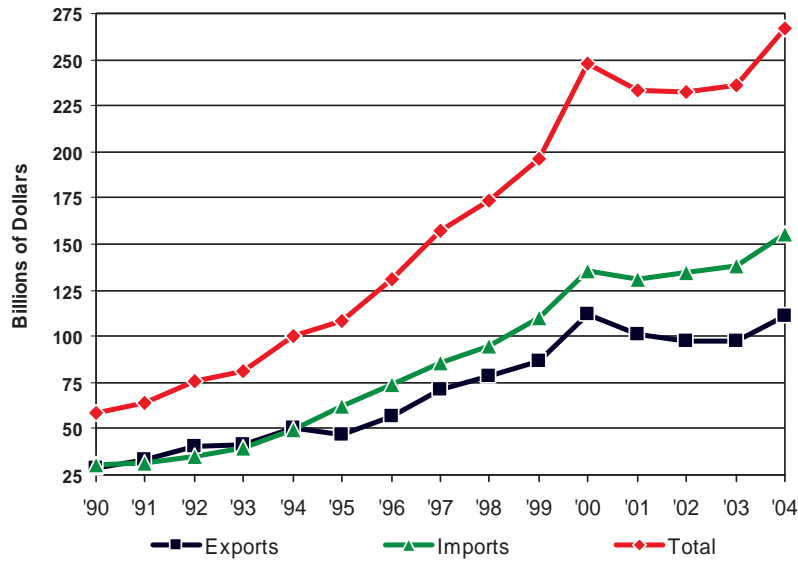
Table 3
Top Ten Product Categories
Processed at the Port of Laredo
2003 vs. 2004

<i>(In Billions of Dollars)</i>	Total Value	
	2003	2004
Road Vehicles	23.4	24.2
Electrical Machinery	7.9	8.8
Power Generating Machinery and Equipment	4.9	6.3
General Industrial Machinery and Equipment	3.9	4.5
Telecommunications Equipment	3.1	4.1
Office Machinery	3.0	3.2
Manufactures of Metals	2.1	2.5
Apparel and Clothing	2.4	2.2
Miscellaneous Manufactured Products	2.0	2.1
Textile Yarn, Fabrics, and Related Products	<u>1.8</u>	<u>2.0</u>
	54.2	59.8

With continued growth in U.S.-Mexico trade moving through the Laredo Port of Entry likely in future years, there is mounting concern over the adequacy of the port facilities to handle the increase, particularly with the deployment of adequate levels of U.S. Customs personnel. Local officials are working closely with the U.S. Customs to minimize this problem. The placement of federally mandated commercial truck inspection facilities on the border is another issue that will likely affect the flow of trade through the Laredo port in the future. City officials and business sector representatives are working with federal and state officials to resolve this issue.

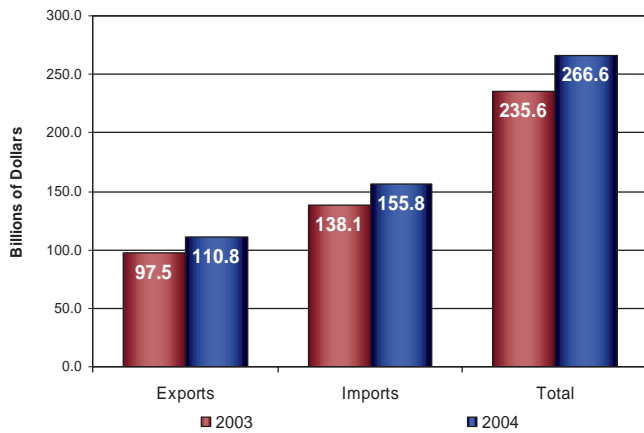
Laredo is the port of choice for the U.S.-Mexico trade not only because of its strategic location, but, more important, because of the extensive expertise in international trade found in the community's transportation, warehousing, business services and financial sectors. **V**

Chart 13
Total U.S.-Mexico Trade, 1990-2004



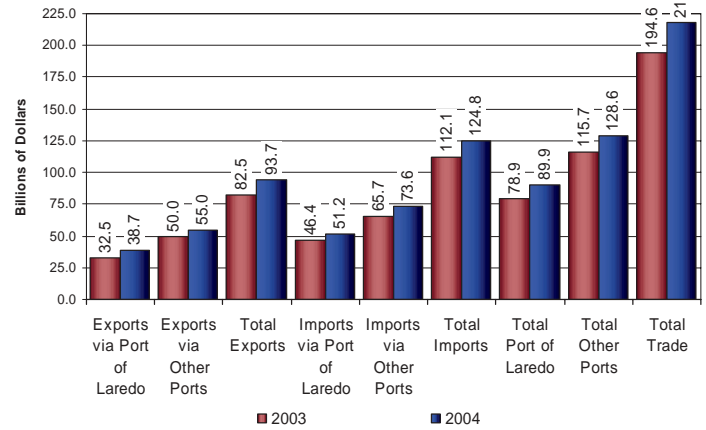
Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C.

Chart 14
U.S.-Mexico Trade
2003 vs. 2004



Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

Chart 15
U.S.-Mexico Trade by Laredo and Other U.S.-Mexico Border Ports
2003 vs. 2004



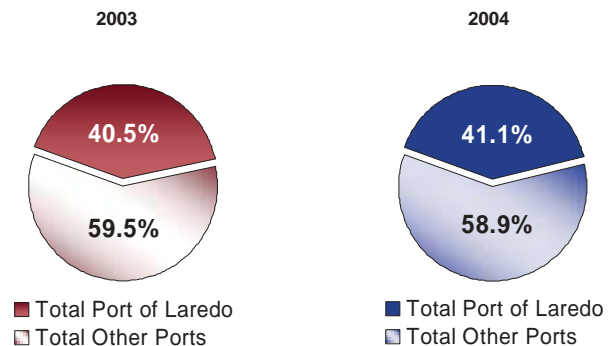
Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

Table 4
Total Imports and Exports, In Billions of U.S. Dollars
2003 vs. 2004

	2003	2004
Laredo	78.8	89.7
El Paso	39.3	42.9
Otay Mesa Station	19.7	22.3
Hidalgo	14.4	15.9
Nogales	10.4	12.1
Brownsville	10.1	10.8
Calexico-East	8.9	9.9
Eagle Pass	5.7	6.9
Del Rio	2.8	2.8

Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

Chart 16
Percent Share of U.S.-Mexico Trade by U.S.-Mexico Border Ports
2003 vs. 2004



Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.



***“Gateway
to Mexico”***

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The Vision 2005 Report series is produced by the Texas Center for Border Economic and Enterprise Development (Texas Center) in cooperation with the Laredo Chamber of Commerce. Dr. J. Michael Patrick, Director of the Texas Center, is the editor of the Vision series. Baldomero G. Garcia, Program Manager at the Center, is production editor of the series. Jacqueline Benavides, Data and Information Specialist at the Center, is copy editor of the series.

Vision 2005: Economic Outlook Report

Partnership

By Ray M. Keck III, President
Texas A&M International University
Laredo, Texas



The **Vision 2005: Economic Outlook Report** is a joint effort between the Laredo Chamber of Commerce and Texas A&M International University. The Chamber of Commerce and Texas A&M International University share the common goal of providing business/economic information and analysis to decision makers on a timely basis. We believe that informed decisions taken today by businessmen and women, public officials, and policy makers will determine Laredo's opportunities of tomorrow.

The Laredo Chamber of Commerce and Texas A&M International University are committed to pursuing partnerships, including conferences, workshops, research projects and reports, that will enhance Laredo's ability to meet the challenges and opportunities of the future.

Reach us at our Web Site: www.tamiau.edu.

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