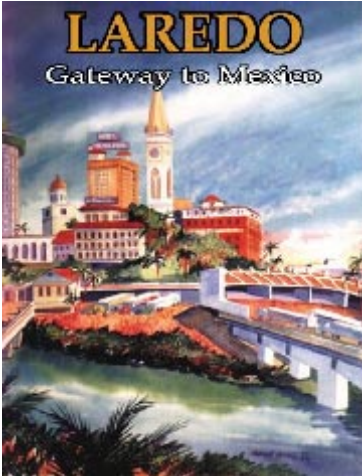


Volume 2, Issue 2
March 2000

Chamber of Commerce
Laredo, Texas



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 accounts for over a third of U.S.-Mexico overland (truck and rail) trade.
- 4,500-5,500 trucks cross at the Port of Laredo daily.

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Vision 2000

Economic Outlook Report

Message from the Chairman

By John A. Adams, Jr., 1999-2000 Chairman, Laredo Chamber of Commerce

During the past two centuries Laredo has been at the crossroads of U.S.-Mexico trade and commerce. As the city of 200,000 inhabitants enters the next 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 750 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 regions transportation corridors and support services.

The 2000 Laredo Vision Conference intends to focus on the dynamic commercial viability of the city and the traditional linkage with counterparts in Mexico. The membership of the Laredo Chamber of Commerce looks forward to continued transnational cooperation. Thus, this publication is a snapshot of Laredo's recent growth and trade activities.

Laredo: Bursting at the Seams After a Decade of Growth

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

As any Laredoan or recent visitor to the city will tell you, Laredo is bursting at the seams. The 1990s was a decade of spectacular growth for the city and region (see *The Texas Border Region Enjoys a Decade of Strong Growth*, pages 6 & 7). Between 1990 and 1999, Laredo's population increased 48.8 percent, nearly three times the State rate of 17.3 percent, and employment increased 52.3 percent, one and a half times the State rate of 32.2 percent. According to the Texas Employment Commission, Laredo added 23,500 new jobs during the 1990s and the City's unemployment rate dropped sharply from 12.1 percent in 1990 to 7.6 percent in 1999. The City's top five job gaining categories were: transportation services (2,990 new jobs), health services (2,681 new jobs), trucking and warehousing (1,210 new jobs), eating and drinking establishments (1,055 new jobs), and depository banking (714 new jobs).

Laredo's growth has been fueled by the strong surge in U.S.-Mexico trade, cross-border commerce, and investment (see page *The Texas Border Region Enjoys a Decade of Strong Growth*, page 7, Table 3). The City's rapid population growth and expansion of economic activity, however, has placed the community's existing infrastructure under tremendous pressure. In response, the City experienced a decade long construction boom that has carried into the 21st century. The City and County, school districts, university and college, medical service providers, and commercial and residential builders continue to expand existing facilities and build new ones to meet the City's anticipated future needs. According to the Texas State Data Center, Laredo's population is projected to top 400,000 by 2030.

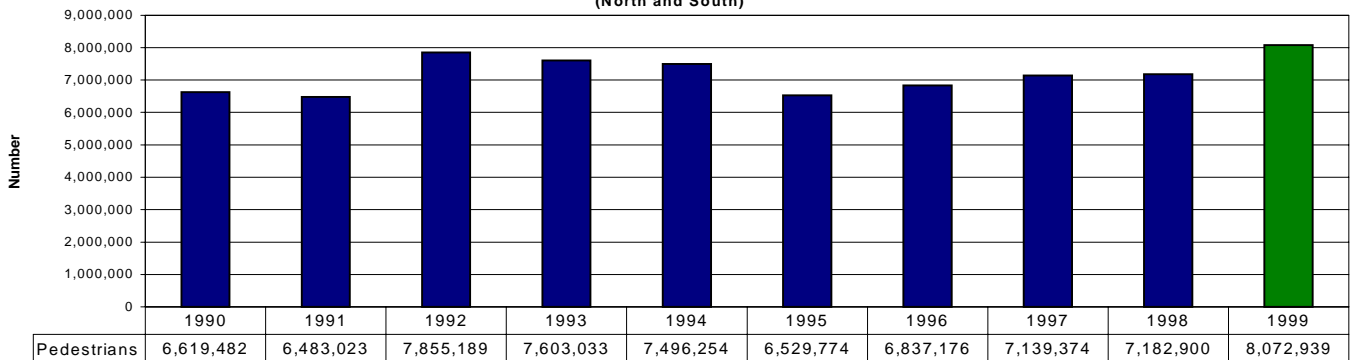
Barring any significant long term downturn in Mexico's economy, expansion of U.S.-Mexico trade and commerce, a driving force behind Laredo's growth during the 1990s, is forecast to continue well into the 21st century. The following sections of this publication, highlight the growth that has taken place in the Laredo economy. A brief look at how the Texas border region has fared over the decade is also presented.

International Trade and Commerce

Laredo has experienced solid and continuous growth in pedestrian, vehicle, truck and rail crossings at its international bridges during the 1990s. The devaluation of the peso in December of 1994 proved to be a momentary set-back to this growth. Today, Laredo's international crossings are at, or near, record highs. Between 1990 and 1999, *pedestrian crossings* increased by 21.9 percent (Figure 1); *vehicle crossings* increased by 34.3 percent (Figure 2). Total *truck* and loaded *railcar crossings* increased by 282.4 percent (Figure 3 and 4) and 189.2 percent (Figure 5), respectively.

Pedestrian Crossings

Figure 1
Pedestrian Crossings at Laredo
(North and South)



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



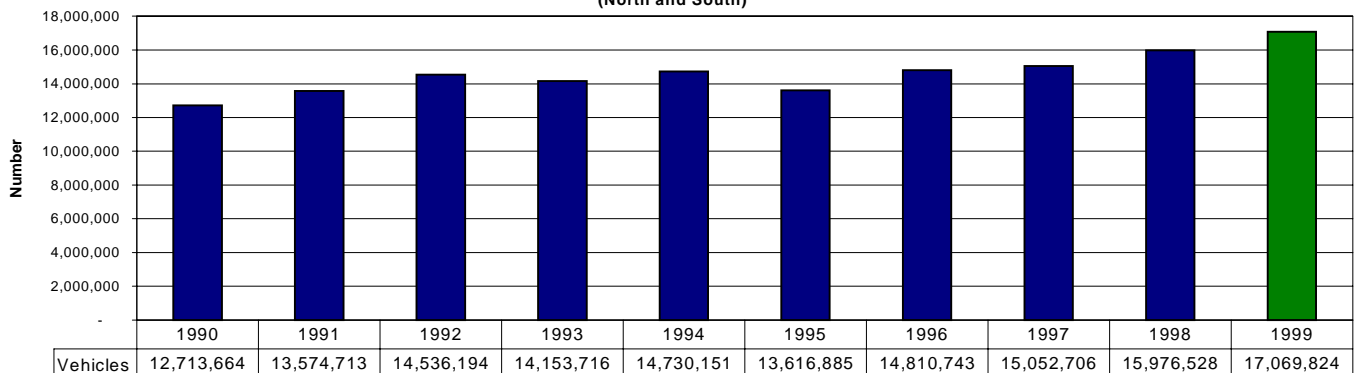
International Bridge II connecting Laredo, Texas and Nuevo Laredo, Tamaulipas, Mexico.

1999 pedestrian, vehicle, truck and rail crossings at Laredo's international bridges surpassed their 1998 levels. Although Laredo's international airport experienced a slight decrease in gross landed weight in 1999, overall growth between 1990 and 1999 was phenomenal. The importance of the Laredo port of entry is clearly evidenced by the fact that 39.1 percent of the value of all U.S.-Mexico overland (truck and rail) merchandise trade passed through its port (Figure 8).

Laredo leads all Texas ports of entry in southbound vehicle crossings, with 23.0 percent of all crossings in 1999. Laredo was the second largest Texas port of entry for northbound vehicle crossings in 1999, with 22.8 percent of the total.

Vehicle Crossings

Figure 2
Vehicle Crossings at Laredo
(North and South)



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

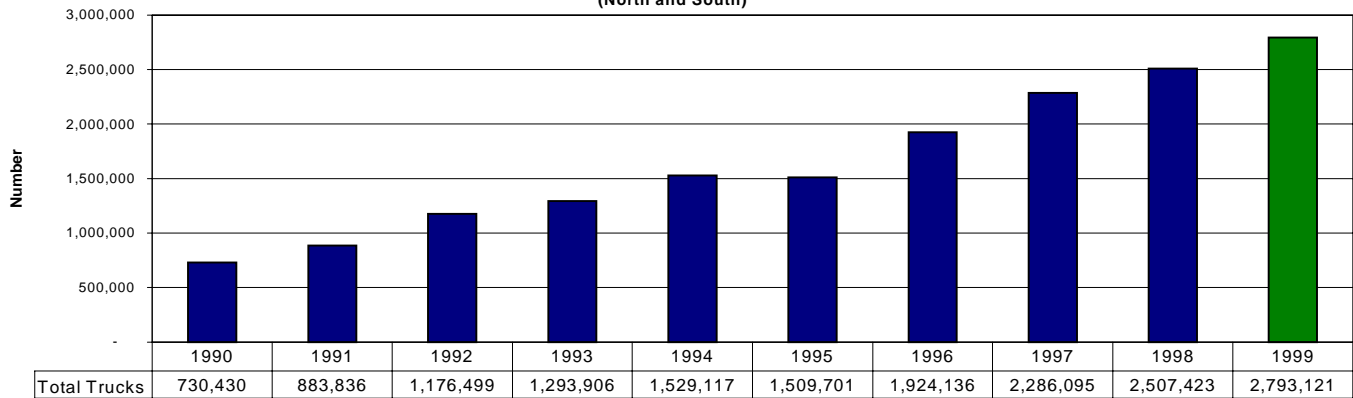
According to the U.S. Department of Transportation, roughly 83 percent of U.S.-Mexico trade by value and 50 percent by tonnage moves by truck and rail. The Laredo port of entry accounts for roughly 50 percent of the value and 39 percent of the volume of this trade, making it one of the busiest ports of entry for overland merchandise trade in the hemisphere. In 1999, the Laredo port of entry processed 4,500-5,500 trucks daily. If the total number of trucks processed for the year were lined up bumper-to-bumper they would stretch from Mexico City to Kansas City, MO.



Laredo is the largest port of entry for trade on the U.S.-Mexico Border.

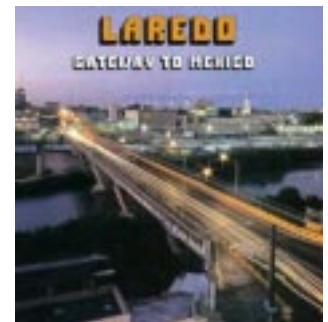
Truck Crossings

Figure 3
Total Truck Crossings at Laredo
(North and South)



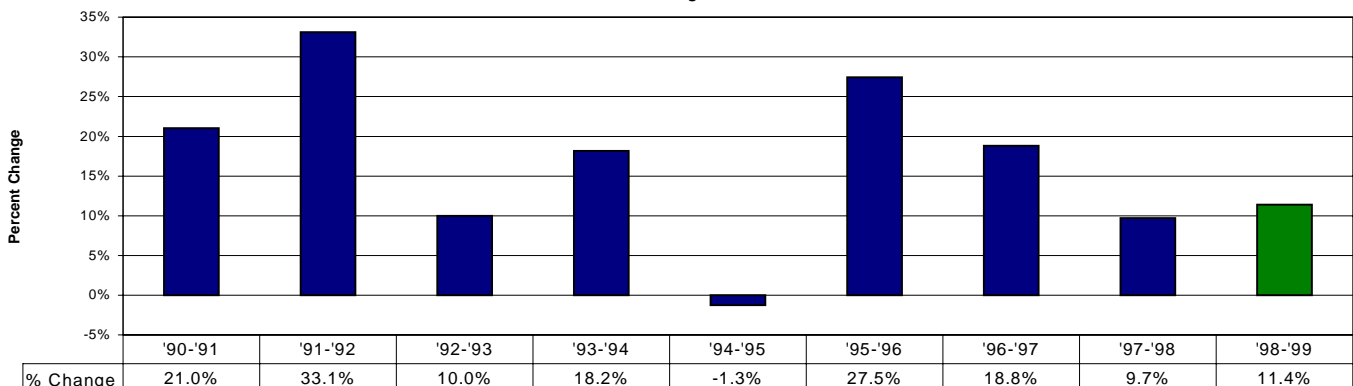
Source: U.S. Bridge Operators and U.S. Customs Service's data compiled by the Texas Center at Texas A&M International University.

Because of the large volume of traffic moving through the Laredo port of entry, the port has been selected by the U.S. Customs Service as the testing site for two new programs, *The North American Trade Automation Program (NATAP)* and the *National Customs Automation Program (NCAP)*, designed to improve the efficiency and speed of processing shipments at the bridge. Laredo is completing its 4th international bridge (due to open in April 2000) and discussions are underway regarding a possible 5th international bridge.



International Bridge I connecting Laredo, Texas and Nuevo Laredo, Tamaulipas, Mexico.

Figure 4
Annual Percent Change in Total Trucks

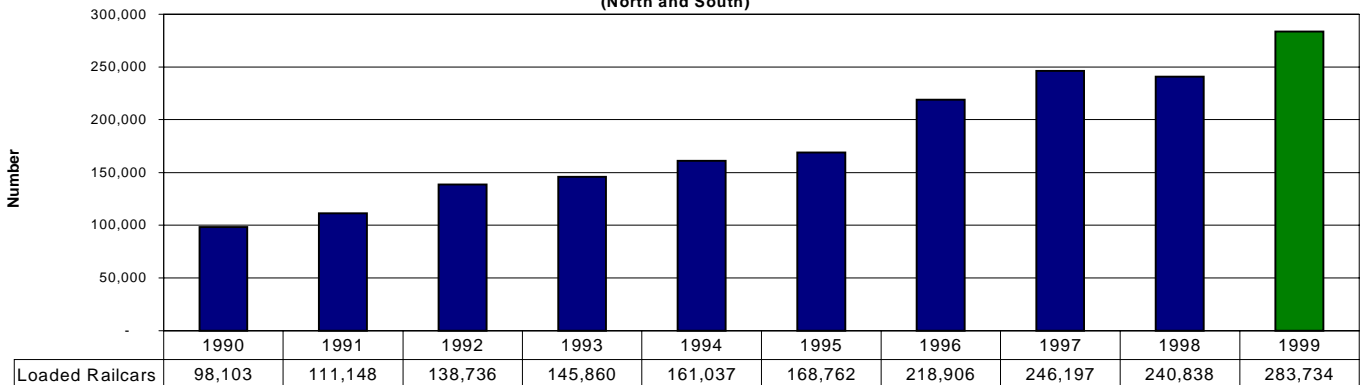


Source: U.S. Bridge Operators and U.S. Customs Service's data compiled by the Texas Center at Texas A&M International University.

In an attempt to capture the full benefits of increased trade with the U.S. under NAFTA, Mexico has decided to privatize many assets previously held by the public sector, including the railroads. Plans are to invest more than a \$1 billion dollars (U.S.) over the next five years to upgrade and improve Mexico's stock of locomotives and rail cars. In addition, a consortium involving *Transportacion Ferroviario 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.

Railroad Crossings

Figure 5
Loaded Railcar Crossings at Laredo
(North and South)



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

The sharp increase in *international air cargo* handled at the Laredo's international airport is another indicator of the growth taking place in the region.

Gross landed weight in 1999 was down slightly (-4.6 percent) from 1998. This decrease, however, is overshadowed by strong growth in overall airport cargo traffic, increasing over 750 percent, between 1990 and 1999 (Figure 6).

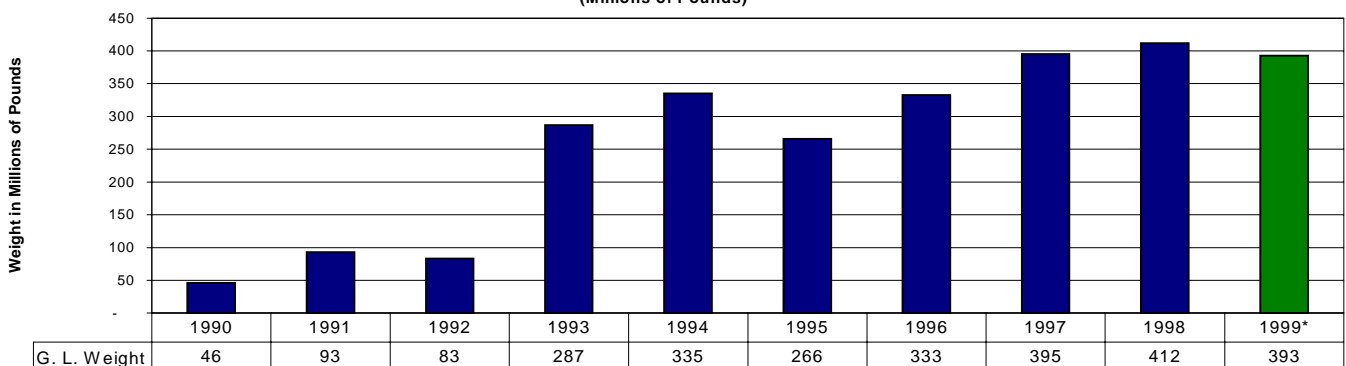
In 1998, Laredo's international airport ranked as the 6th largest cargo airport in Texas in terms of total gross landed weight.



The Laredo International Airport is the 6th largest cargo airport in Texas.

International Air Cargo

Figure 6
Gross Landed Weight at Laredo International Airport
(Millions of Pounds)



Source: Data provided by the Laredo International Airport.

* Estimate

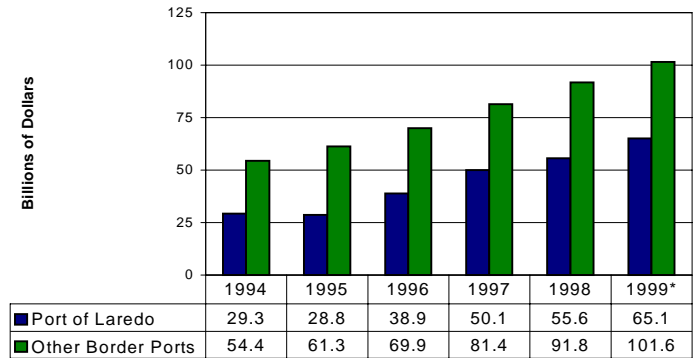
Laredo: Leading U.S. Port of Entry

The Laredo port of entry accounts for roughly 39 percent of U.S.-Mexico overland merchandise trade, according to the U.S. Department of Commerce. In 1999, the Laredo port of entry processed almost twice the volume in U.S.-Mexico trade, in dollar terms (\$65 billion), than did its nearest competitor, El Paso (\$33 billion) (Table 1). Between 1994 and 1999, the Laredo port of entry's total value of overland trade increased 122 percent compared to 87 percent for all other border ports (Figure 7). During the same time period Laredo's share of total overland trade increased from 35 percent to 39 percent (Figure 8). During 1999, Laredo's rate of growth in overland trade increased while other border ports experienced a decline. Motor vehicles, and motor vehicle parts and accessories continue to account for the largest share of exports and imports, followed by electrical and electronic components and materials.

Table 1
1999 Imports and Exports, U.S. Dollars

Laredo, TX	65,092,223,334
El Paso, TX	32,752,333,459
Otay Mesa Station, CA	14,859,002,130
Nogales, AZ	10,505,242,680
Brownsville, TX	10,065,870,638

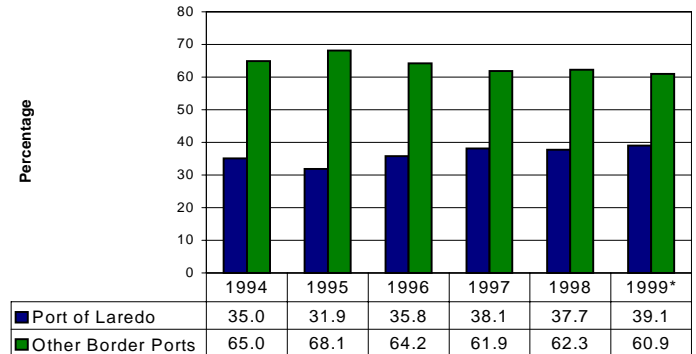
Figure 7
Total Value of Overland Trade, 1994-1999*
(Billions of Dollars)



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

* Estimate

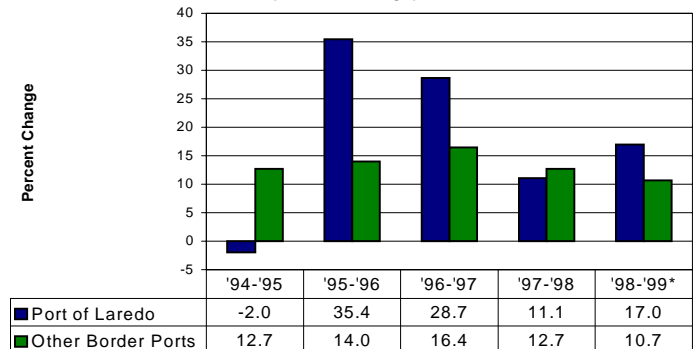
Figure 8
Laredo's Share of Overland Trade, 1994-1999*
(Percentage)



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

* Estimate

Figure 9
Growth in Overland Trade, 1994-1999*
(Percent Change)



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

* Estimate



The Texas Border Region Enjoys a Decade of Strong Growth

During the 1990s, notwithstanding Mexico's financial crisis in 1994-95 and sharp decline in the peso, the Texas border region enjoyed strong growth in population, employment, and industry sales. A comparative analysis of growth in the border metropolitan areas of Brownsville, McAllen, Laredo, and El Paso during this decade follows.

Between 1990 and 1999, population growth in the border metropolitan areas outpaced the state, 27.1 percent to 17.3 percent. During this period, several border metropolitan areas recorded higher rates of growth in employment and industry sales than the state (Table 1). The Laredo metropolitan area posted the largest gain in population, 48.8 percent, followed by McAllen with a 37.6 percent increase. Laredo also enjoyed the largest gain in new jobs with a 52.3 percent increase, followed by McAllen with a 44.9 percent increase. El Paso led the region in industry sales with a 91.1 percent increase, followed by McAllen with a 61.6 percent gain (Table 1).

Table 1
Growth in Population, Employment, and Industry Sales, 1990-99

Metropolitan Area	Population		Employment		Industry Sales	
	1999 (thousands)	Chg. 90-99 (percent)	1999 (thousands)	Chg. 90-99 (percent)	1998 (\$ millions)	Chg. 90-99 (percent)
Brownsville	317.8	22.2	101.9	33.6	4,374.5	9.1
McAllen	527.7	37.6	147.5	44.9	7,761.4	61.6
Laredo	198.3	48.8	68.4	52.3	3,610.6	32.9
El Paso	694.7	17.4	256.6	22.8	16,824.0	91.1
State	19,925.6	17.3	9,383.0	32.2	773,126.8	72.4

Source: Texas State Data Center, Texas A&M University; Texas Workforce Commission; Texas Comptroller of Public Accounts.

Growth in the Texas border regions in the 1990s was fueled by the strong surge in U.S.-Mexico trade, cross-border commerce, and construction (Table 3). Since Mexico's membership in the GATT (1986), and the implementation of NAFTA (1994), merchandise trade between the U.S. and Mexico has increased 200 percent (Table 2 and Chart 1). In 1999, over 50 percent of all U.S.-Mexico overland (truck and rail) merchandise trade passed overland through ports of entry located in Texas border metropolitan areas. Close to 40 percent passed through the Laredo port of entry.

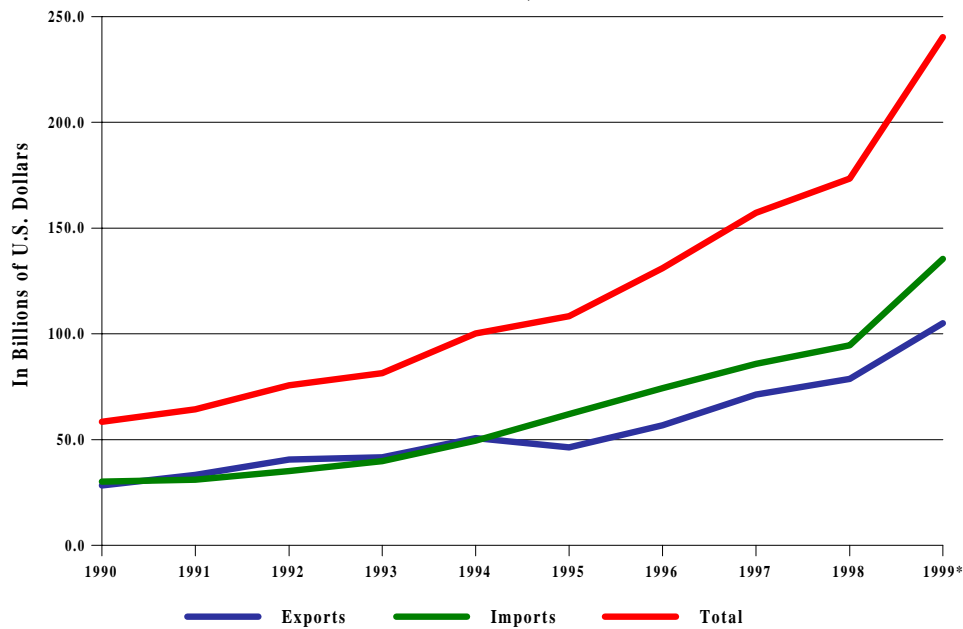
Table 2
U.S.-Mexico Trade 1990-1999*
(Billions of U.S. Dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999*
Exports	28.3	33.3	40.6	41.6	50.8	46.3	56.8	71.4	78.8	105.0
Imports	30.2	31.1	35.2	39.9	49.5	62.1	74.3	85.9	94.6	135.4
Total	58.5	64.4	75.8	81.5	100.3	108.4	131.1	157.3	173.4	240.4

* Estimate

Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233

Chart 1
U.S.-Mexico Trade, 1990-1999*



Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233

The region’s rapid growth in population and economic activity has placed existing infrastructure under tremendous pressures. In response, a construction boom has been underway in the region for most of the 1990s. Cities, counties, school districts, medical service providers, residential and commercial builders, Texas DOT, U.S. Customs Service, INS, and the U.S. Department of Transportation have invested heavily in the expansion of existing infrastructure and construction of new facilities to meet the anticipated needs of the region. Investment in the region’s infrastructure exceeded \$1.5 billion dollars in 1998, up 150 percent from 1990.

Table 3
Growth in Trade, Commerce, and Construction, 1990-98

	Trade (1)		Commerce (2)		Construction	
	1998 (thousands)	Chg. 90-98 (percent)	1998 (\$ millions)	Chg. 90-98 (percent)	1998 (\$ millions)	Chg. 90-98 (percent)
Metropolitan Area						
Brownsville	708.5	93.9	3,007.1	29.1	153.2	136.8
McAllen	587.1	85.6	5,435.7	48.0	389.6	123.8
Laredo	2,744.5	231.2	2,890.0	38.0	88.0	175.0
El Paso	NA	NA	10,117.9	67.6	772.1	154.6

(1) Includes truck and rail crossings for Brownsville and Laredo; only truck crossings for McAllen. Data not available for El Paso.

(2) Includes wholesale and retail trade

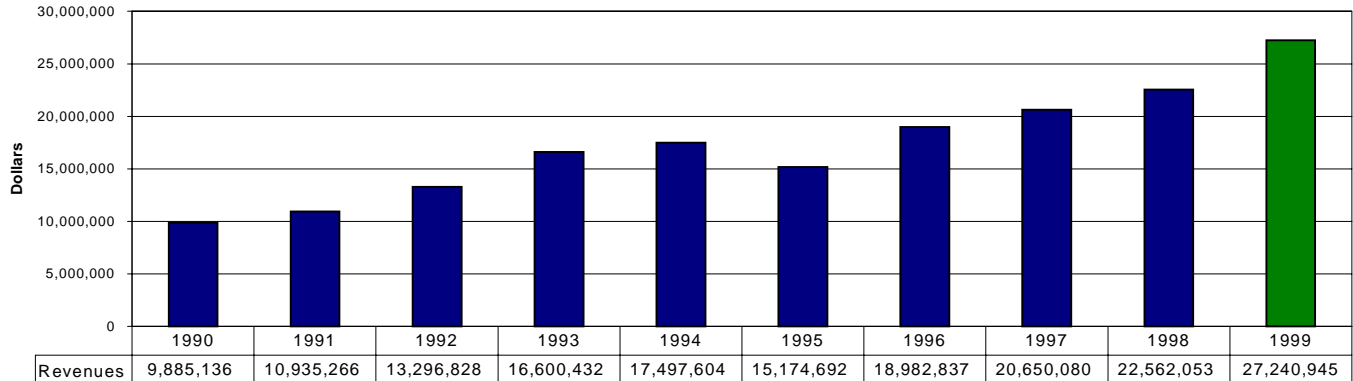
Source: Texas Center for Border Economic and Enterprise Development, Texas A&M International University; Texas Comptroller of Public Accounts.

The border metropolitan employment picture has not been without its blemishes, however. Over the decade of the 1990s, the region created 101,112 new jobs but lost 16,676, for a net gain of 84,436. Leading job gainers include health services with 22,167 new jobs added, eating and drinking establishments with 10,018 new jobs, business services with 9,607 new jobs, and transportation services, trucking and warehousing with 6,255 new jobs added. Leading job losers include food & kindred products with 3,171 jobs lost, agricultural products and services with 2,069 jobs lost, apparel & other textile products with 1,340 jobs lost, and personal services with 1,582 jobs lost.

Reflecting the overall growth in the volume of international trade and commerce, Laredo’s local bridge revenues have steadily increased, reaching a record high of \$27.2 million in 1999. Local bridge revenues for 1999 increased 20.4 percent over 1998 (Figure 10). Local *bridge revenues* are an important source of revenue for local government.

Bridge Revenues

Figure 10
Bridge Revenues for Laredo



Source: U.S. Bridge Operators' data compiled by the Texas Center at Texas A&M International University.

Local Economic Activity

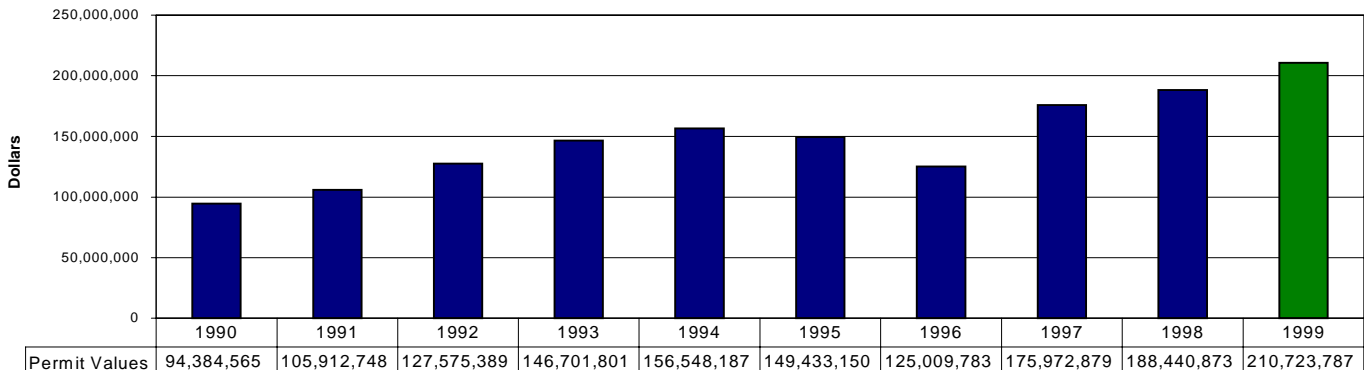
Laredo has enjoyed continuous growth in its *construction* sector during the 1990s. The value of building permits has increased at the rate of 12 percent per year between 1990 and 1999 (Figure 11), reflecting the strong growth in population and economic activity in the area. 1999 *building permit values* reached a record high of \$210.7 million.

In the coming years, Laredo will see new construction, expansions and improvements in the community’s infrastructure, including, hospitals, health care facilities, elementary schools, middle schools, high schools, university and college, as well as international bridges, warehousing facilities, residential and commercial properties, major highways and streets.

According to the Texas Workforce Commission, Laredo’s fastest growing sectors during the 1990s were: transportation, communications, and utilities, up 77.0 percent; construction, up 65.6 percent; and services, up 64.0 percent. Transportation services added 2,990 new jobs during 1990s, followed by health services with 4,063 new jobs. Trucking and warehousing added 2,085 new jobs.

Building and Construction

Figure 11
Laredo Building Permit Values



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

Local and cross-border retail sales constitute a major component of Laredo's economy, accounting for over 50 percent of total sales, and providing income and employment to over a quarter of the area's residents. Notwithstanding a 31 percent decline in 1995 following the peso devaluation, Laredo's *retail sales* grew a healthy 27.7 percent between 1990 and 1999 (Figure 12).

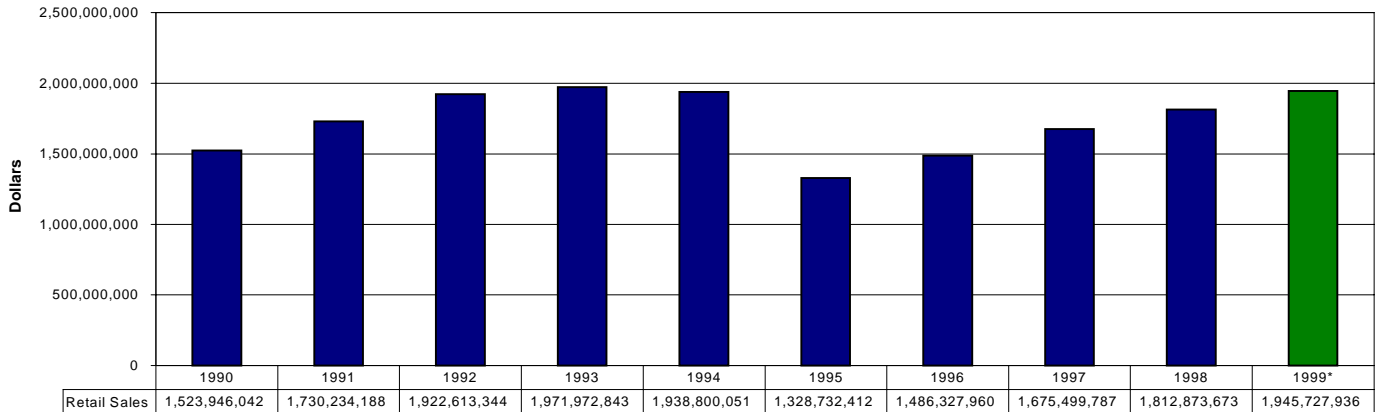


City of Laredo

www.cityoflaredo.com

Retail Sales

Figure 12
Laredo Retail Sales



Source: Texas Comptroller of Public Accounts

* Estimate

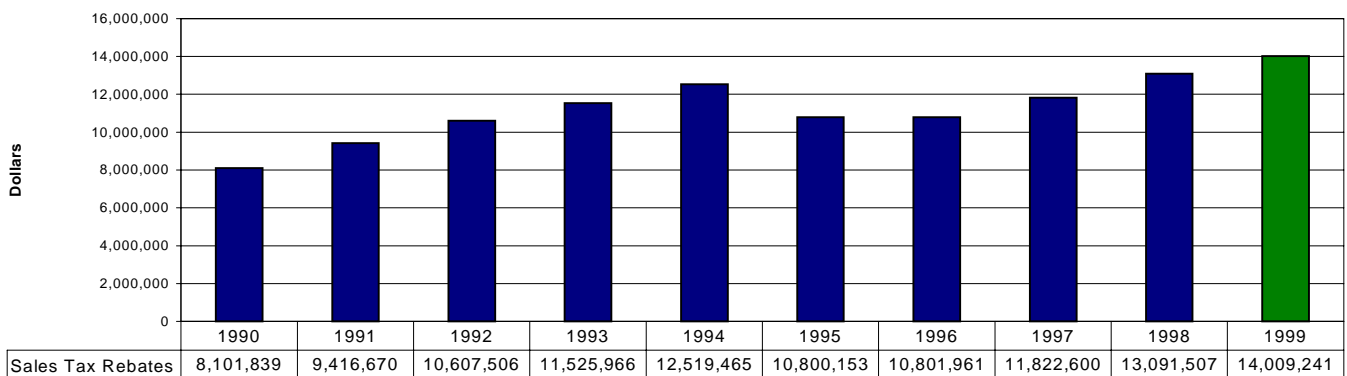
Sales tax rebates, along with international bridge revenues, are an important source of revenue for local government. *Sales tax rebates* grew by 72.9 percent between 1990 and 1999 (Figure 13). Following the December 1994 peso devaluation, Laredo's *retail sales* and *sales tax rebates* dropped 31.6 percent and 13.6 percent, respectively, from their previous record highs in 1994 (Figures 12 and 13). By 1999, however, *retail sales* and *sales tax rebates* fully recovered their lost ground, exceeding their 1998 levels.



Laredo's retail sales and sales tax rebates have recovered from the 1994 devaluation.

Sales Tax Rebates

Figure 13
Sales Tax Rebates for Laredo



Source: Texas Comptroller of Public Accounts

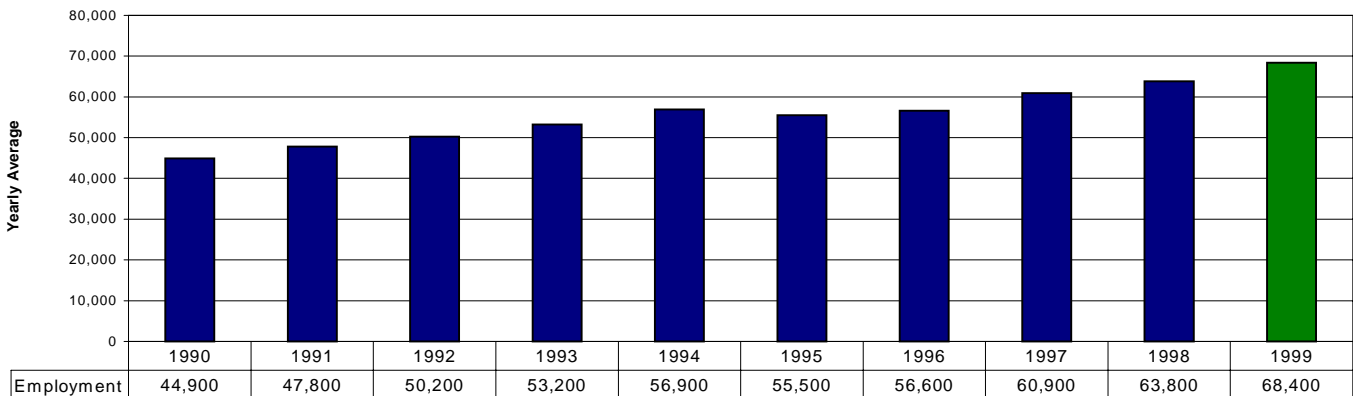
A measure of the strength of a local economy is its ability to generate jobs. Since 1990, the Laredo economy has created more than 23,500 *new jobs* (Figure 15). This 52.3 percent increase in jobs compares favorably to the State's job creation rate of 25.2 percent. Laredo's unemployment rate of 7.6 percent, however, remains roughly double that of the State rate of 4.3 percent. The problem is not that the Laredo economy is incapable of generating jobs. Clearly it is. Part of the problem can be found in Laredo's rapid growth in population (5.0 percent per annum compared to 1.8 percent for the State). The number of new job seekers in the Laredo economy is much higher, percentage-wise, than for the State as a whole. Ironically, it would seem that Laredo's economic success is the source of its unemployment problem. The more jobs it creates, the more new job seekers it attracts.



Over 4,500 new jobs were added to the Laredo economy in 1999.

Employment

Figure 15
Laredo Employment



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

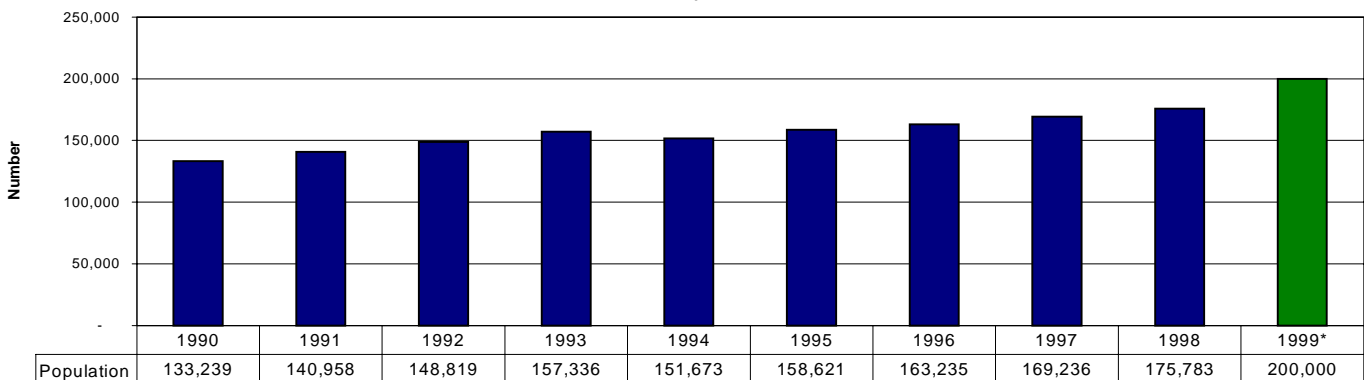
Laredo, with a current population of 200,000, is the second fastest growing city in the U.S., behind Las Vegas, NV, according to the U.S. Census Bureau. Laredo's annual *population* growth rate of 5.0 percent, over the past decade, is nearly three times greater than the State of Texas rate of 1.8 percent. With the expansion of U.S.-Mexico trade and continued economic integration likely in the coming years, Laredo is expected to remain one of the fastest growing metropolitan areas in the nation. The Texas State Data Center projects that Laredo's population will double, to 400,000, by 2030. According to the Texas Restaurant Association, Laredo has been the fastest growing food service market in the state during 1999.



Laredo's population continues to increase at a rapid pace.

Population

Figure 14
Laredo Population



Source: U.S. Bureau of the Census population figures for 1990-1998; * Estimate for 1999.

Business and Economic Data @ Your Finger Tips

Texas A&M International University's Research Centers
<http://www.tamui.edu/coba/txcntr/index.htm>
<http://www.tamui.edu/coba/usmtr/>

Texas State Data Center
 Texas Population Estimates and Projections Programs
<http://www-txsdc.tamu.edu/>

Real Estate Center
 Construction Data, Building Permits & Housing Starts
<http://RECenter.tamu.edu/data/>

Texas Transportation Institute (Texas A&M)
<http://tti.tamu.edu/>

State of Texas
<http://www.texas.gov/>

Attorney General of Texas
<http://www.oag.state.tx.us/>

Public Utility Commission of Texas
<http://www.puc.state.tx.us/>

Texas Bank Reports — 1998
<http://www.banking.state.tx.us/podes/qbrlfi.html>

Texas Comptroller of Public Accounts
<http://www.window.state.tx.us/>

Texas Department of Economic Development (TDED)
<http://www.tded.state.tx.us/>

Business and Industry Data Center (TDED)
<http://www.bidc.state.tx.us/>

The Texas Legislative Council (TLC)
<http://www.tlc.state.tx.us/>

Texas Workforce Commission (TWC)
 Employment and Unemployment Rates
<http://www.twc.state.tx.us/>

The Bureau of Labor Statistics (BLS)
<http://stats.bls.gov/>

BLS News Releases
<http://stats.bls.gov/newsrels.htm>

Board of Governors of the Federal Reserve System
<http://www.bog.frb.fed.us/>

Federal Reserve Board
 Economic and Research Data
<http://www.bog.frb.fed.us/rnd.htm>

Federal Reserve Statistical Release G.19
 Consumer Credit
<http://www.bog.frb.fed.us/releases/G19/>

U.S. Department of Transportation (DOT)
 Bureau of Transportation Statistics
<http://www.bts.gov/>

Bureau of Transportation Statistics (DOT)
 The National Transportation Data Archive
<http://www.bts.gov/ntda/>

Bureau of Transportation Statistics (DOT)
 The Transborder Surface Freight Data
<http://www.bts.gov/ntda/tbscd/>

Federal Interagency Council on Statistical Policy
<http://www.fedstats.gov/>

International Trade Data Systems (ITDS)
http://www.itds.treas.gov/itds/Frames/Build_Frames.cfm?CFID=18281&CFTOKEN=638

Link to Government sites, Libraries, etc..
<http://www.govspot.com/>

U.S. International Trade Commission Interactive Tariff
 and Trade DataWeb
<http://dataweb.usitc.gov/>

U.S. Census Bureau
<http://www.census.gov/>

U.S. Census Bureau
 American FactFinder
http://factfinder.census.gov/java_prod/dads.ui.homePage.HomePage

U.S. Census Bureau
 The International Programs Center (IPC)
<http://www.census.gov/ipc/www/>



**“Gateway
to Mexico”**

**Chamber of Commerce
Laredo, Texas**

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The Vision 2000 Report series is produced by the Texas Center for Border Economic and Enterprise Development (Texas Center) in cooperation with the Laredo Chamber of Commerce. Baldomero Garcia, Associate Director of the Texas Center, is production editor of the Vision 2000 series.

Join Us for Vision 2000 in Laredo, Texas on March 23, 2000.

Partnership

By J. Charles Jennett, President
Texas A&M International University
Laredo, Texas



The **Vision 2000: 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.tamui.edu



**Texas A&M International University’s
Center for the Study of
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