

FROM GLOBALIZATION TO REGIONALIZATION:

ANALYSIS OF TEXAS CROSS-BORDER GOODS MOVEMENT

> Daniel Covarrubias, Ph.D. February 29, 2024 Somos Vinculos Laredo, Tx.



International Trade

02 Nearshoring

03 Smart Borders

International Trade

NAFTA / USMC TRADE

_ 1,800 Nearshoring Initiatives? Covid Pandemic 1,600 Mexico, Canada and the United States agree to update NAFTA and sign the USMC 1,400 Jan 22, 2018 Start of China Trade Tariffs 1,200 Global Subprime Financial Crisis 1,000 Dot-Com Bubble Burst 800 3 9/11 600 49.6% 50.1% Start of %0 * NAFTA 400 61. 18.0% 8.4% 37.4% 200 ž 70.8% 29.2% 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 +91% -24% +25% +15% -13% +25% +19% \$343B 1994 - 2000 \$657B \$968B \$737B \$921B \$1.06T \$1.22T \$1.06T \$1.33T\$1.58T

🗆 Total Trade 🔳 Mexico 🗏 Canada

2020-2022 Growth Trend Comparison v 2020-2023 Trend

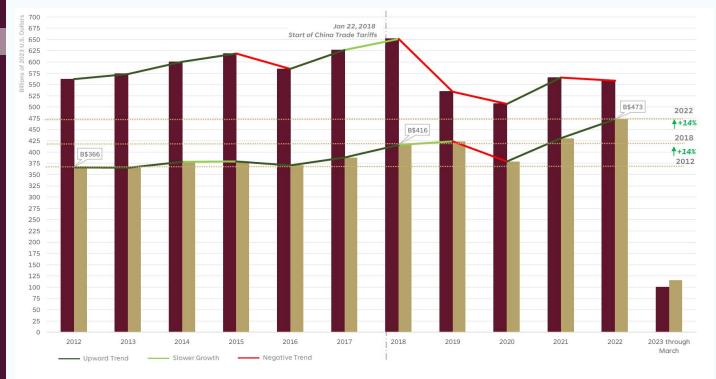
Source: U.S Census Bureau:Economic Indicators Division Analysis: Texas Center for Border conomic and Enterprise Development

US TRADE MEX / CAN



U.S. TOTAL IMPORTS VALUE MEXICO VS CHINA 2012-2023 (ADJUSTED FOR INFLATION)

U.S. IMPORTS

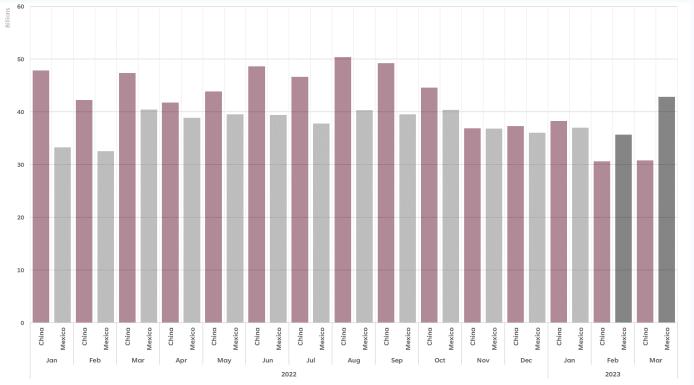




Source: U.S Census Bureau:Economic Indicators Division Analysis: Texas Center for Border conomic and Enterprise Development

China Mexico

U.S. IMPORTS



Source: U.S Census Bureau:Economic Indicators Division Analysis: Texas Center for Border conomic and Enterprise Development

MONTHLY TOTAL U.S. IMPORTS

MEXICO VS CHINA JANUARY 2022 - MARCH 2023

TEXAS ASM INTERNATIONAL UNIVERSITY

U.S. PORTS

TEXAS AMM INTERNATIONAL UNIVERSITY



\$311 billion Chicago, IL

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\$293 billion Los Angeles, CA

\$248 billion JFK Int'l Airport

\$239 billion Newark, NJ

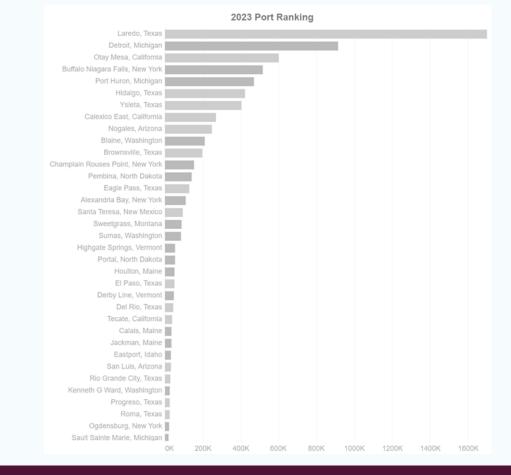


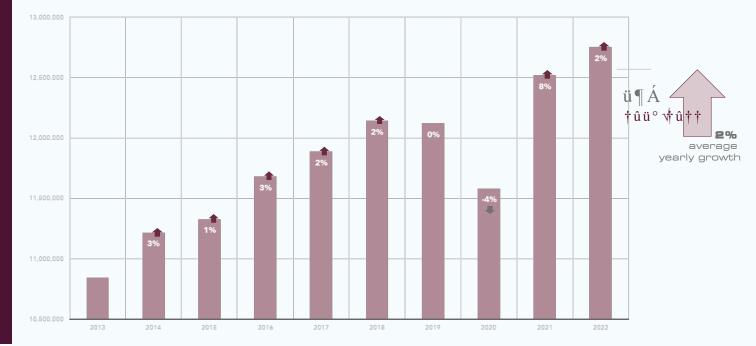
Source: U.S. Census Bureau: Economic Indicators Division. Analysis by: Texas Center for Border Economic and Enterprise Development

2023 TOP 5 U.S. PORTS OF ENTRY BY TOTAL TRADE VALUE

IN-BOUND (USA) 2023

TRUCK CROSSINGS





IN-BOUND

(USA)

2013 - 2022



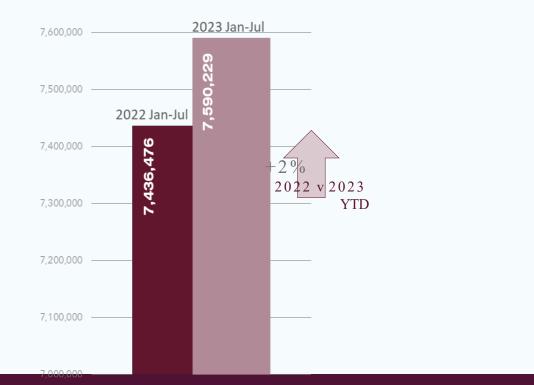
IN-BOUND

(USA)

2022 -2023



7,700,000



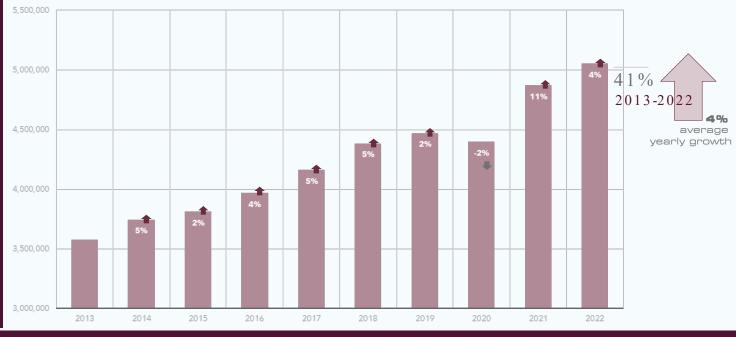
TRUCK CROSSINGS



40,740 2022 Daily Avg

(Mon-Sat)

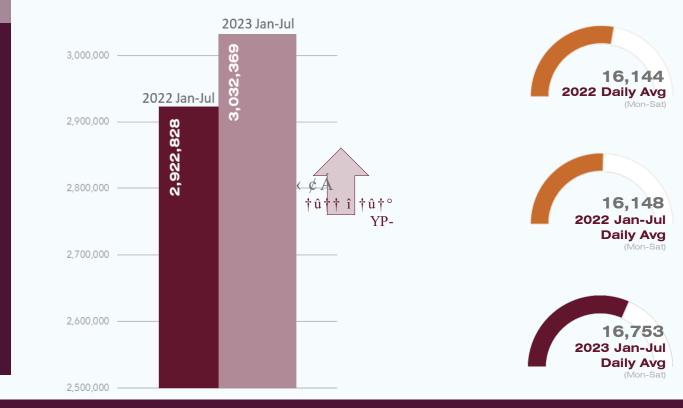




IN-BOUND

(TX) 2013 -2022

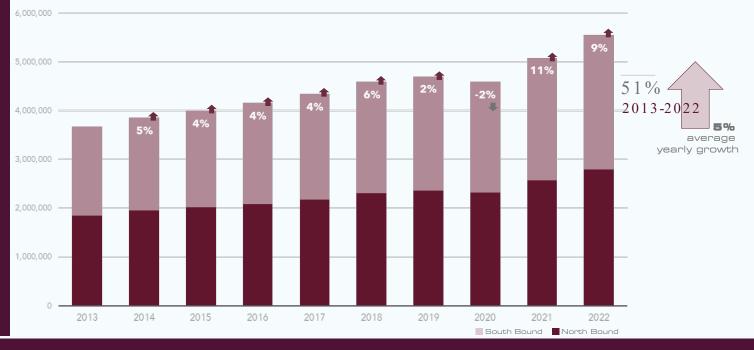




IN-BOUND

(TX) 2022 -2023 3,100,000





LAREDO

2013 - 2022

NORTH-SOUTH BOUND

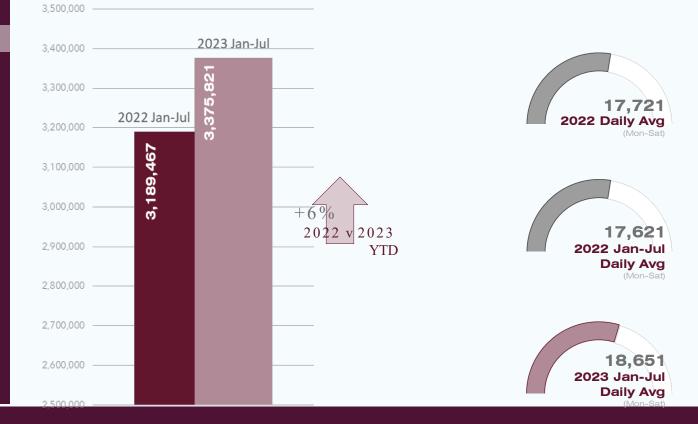


Source: Bureau of Transportation Statistics, City of Laredo Bridge Departmen

LAREDO

NORTH-SOUTH BOUND

2022 - 2023





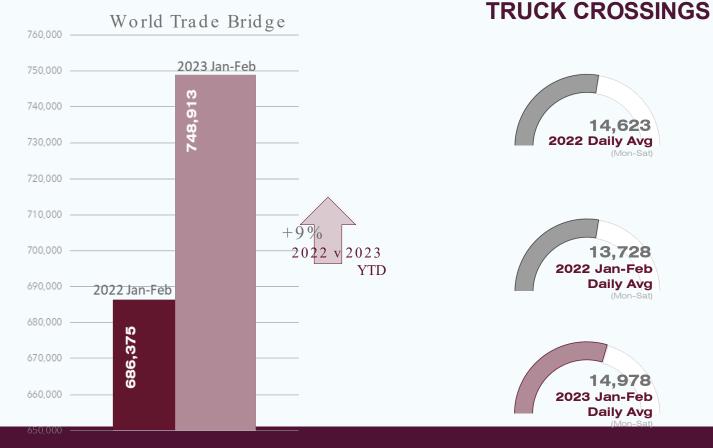
Source: Bureau of Transportation Statistics, City of Laredo Bridge Department

TRUCK CROSSINGS

LAREDO

2022-2023

NORTH-SOUTH BOUND



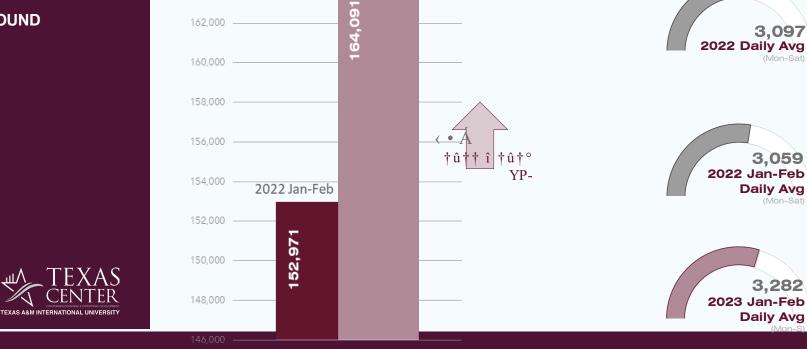


Source: Bureau of Transportation Statistics, City of Laredo Bridge Department, ICCE Nuevo Laredo

LAREDO

2022-2023

NORTH-SOUTH BOUND



 $+ \sim z \sim \{ f s^{\wedge} * asi q k \}$

164,000 -

162.000 -

2023 Jan-Feb

Source: Bureau of Transportation Statistics, City of Laredo Bridge Department, ICCE Nuevo Lare

TRUCK CROSSINGS

3,097

3,059

Daily Avg (Mon-Sat)

3,282

Daily Avg (Mon S

TOTAL TRADE SHARE BY COMMODITY GROUP

Machinery/ Electrical 36.8%

LAREDO POE

2023 JAN-JUL

TRUCK



TEXAS **TEXAS A&M INTERNATIONAL UNIVERSITY**

LAREDO POE

TRUCK

90

80

70

60

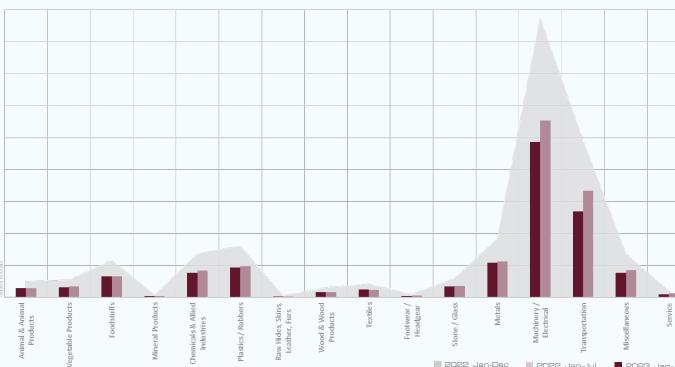
50

40

30

20

10 5



TOTAL TRADE VALUE

Source: Bureau of Transportation Statistics

2023 Jan-Jul

2022 Jan-Jul

2022 Jan-Dec

IN-BOUND (USA) 2023

RAIL CROSSINGS: TRAINS

			2023	Port I	Rankir	ng							
Laredo, Texas													
International Falls, Minnesota													
Port Huron, Michigan													
Eagle Pass, Texas													
Blaine, Washington													
Buffalo Niagara Falls, New York													
Detroit, Michigan													
Portal, North Dakota													
El Paso, Texas													
Pembina, North Dakota													
Brownsville, Texas													
Nogales, Arizona													
Eastport, Idaho													
Champlain Rouses Point, New York													
Trout River, New York													
Van Buren, Maine													
Sweetgrass, Montana													
Vanceboro, Maine													
Jackman, Maine													
Sault Sainte Marie, Michigan													
Calexico East, California													
Boundary, Washington													
Highgate Springs, Vermont													
Sumas, Washington													
Calais, Maine													
Richford, Vermont													
Norton, Vermont													
Northgate, North Dakota													
Otay Mesa, California													
Laurier, Washington													
0	200	400	600	800	1000	1200	1400	1600	1800	2000	2200	2400	2600

IN-BOUND (USA) 2023

RAIL CROSSINGS: CONTAINERS

		2	023 Port P	canking				
International Falls, Minnesota	1							
Laredo, Texas	\$							
Port Huron, Michigan	1							
Eagle Pass, Texas	3							
Portal, North Dakota	1							
Blaine, Washington	1							
Pembina, North Dakota	1							
Detroit, Michigan	1							
El Paso, Texas	\$							
Eastport, Idaho)							
Buffalo Niagara Falls, New York	c .							
Brownsville, Texas	\$							
Nogales, Arizona	1							
Vanceboro, Maine	•							
Jackman, Maine	•							
Champlain Rouses Point, New York	c l							
Sweetgrass, Montana	1							
Sault Sainte Marie, Michigan	1							
Trout River, New York	c l							
Calexico East, California	1							
Boundary, Washington	1							
Van Buren, Maine	• 📃							
Highgate Springs, Vermon	t							
Norton, Vermon	t							
Northgate, North Dakota	1							
Sumas, Washington	1							
Calais, Maine								
Otay Mesa, California	1] — —							
Richford, Vermon	t							
Laurier, Washington	1							
	0K	50K	100K	150K	200K	250K	300K	350

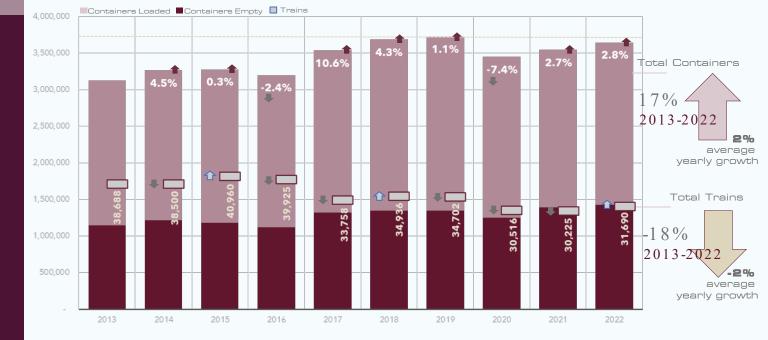
2023 Port Ranking

RAIL CROSSINGS

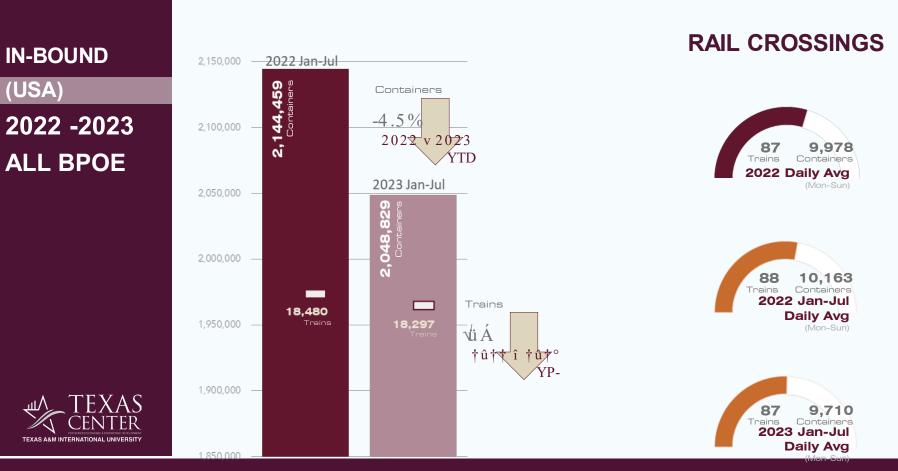
IN-BOUND

(USA)

2013 -2022 ALL BPOE





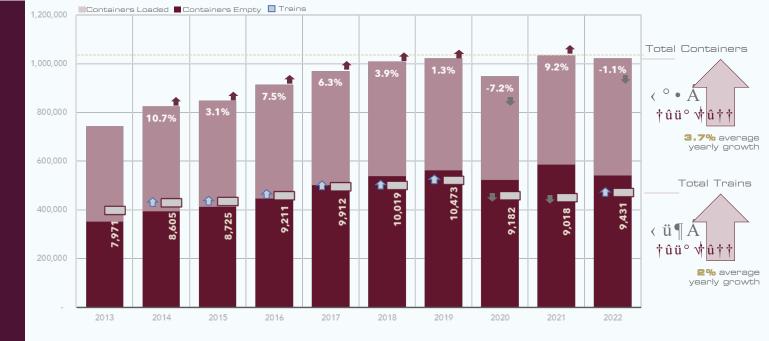


RAIL CROSSINGS

IN-BOUND

(TX)

2013 -2022 TX BPOE



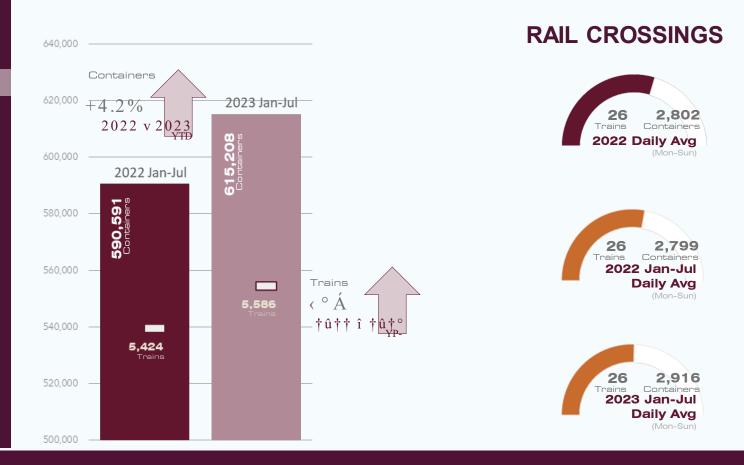


IN-BOUND

(TX) 2022 -2023

TX BPOE



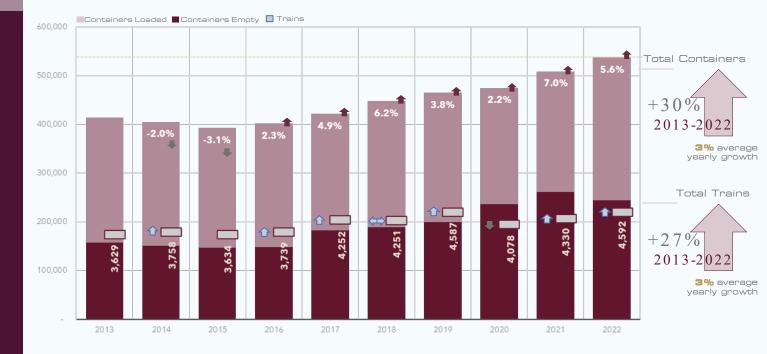


RAIL CROSSINGS

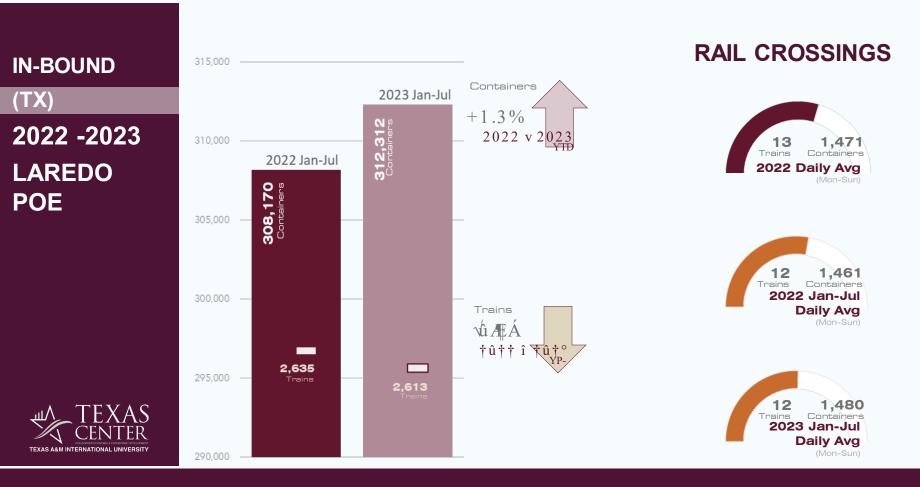
IN-BOUND

(TX)

2012 -2023 LAREDO POE







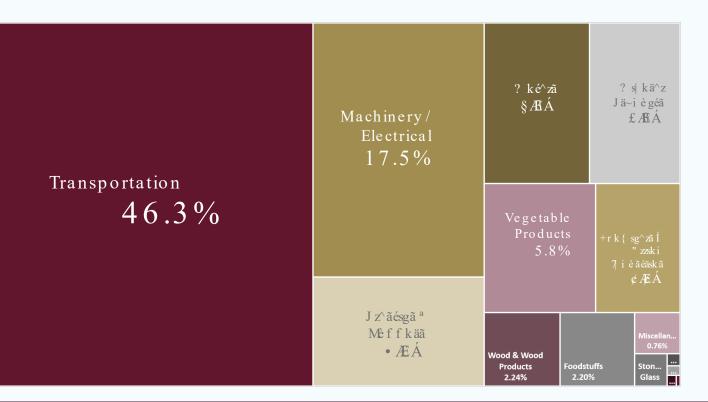
LAREDO POE

2023 JAN-JUL

RAIL



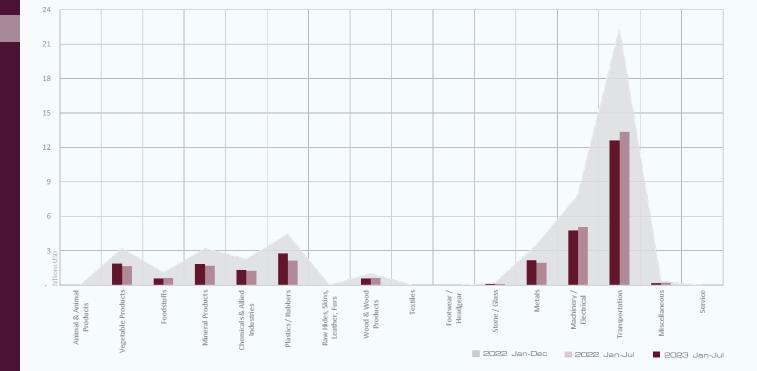
TOTAL TRADE SHARE BY COMMODITY GROUP



TOTAL TRADE VALUE

LAREDO POE

RAIL







Nearshoring: A Boom for U.S. – Mexico Cross Border Trade?







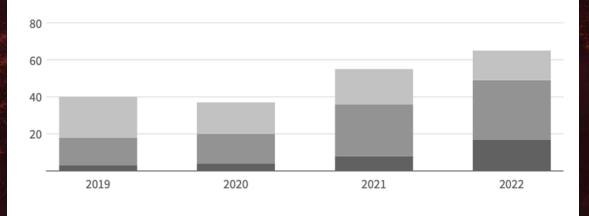
Source: CBRE Research 2022



NEARSHORING-RELATED AND TOTAL GROSS ABSORPTION, MEXICO

MSF

Tier 1 Nearshoring Tier 2 Other



Annual nearshoring absorption (direct manufacturing capacity expansions to supply the US, installed in leased logistics space) grew from **3 MSF in 2019 to 16 MSF in 2022, increasing from 8% to 26% of gross absorption** in the country.

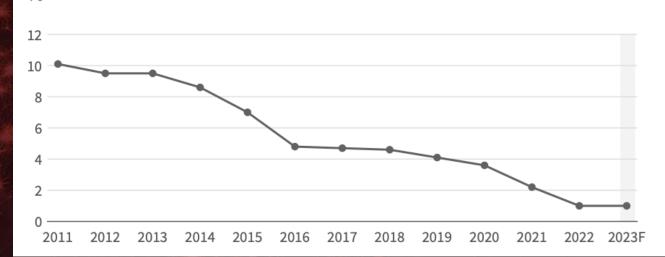
Tier 2 nearshoring absorption (domestic providers and third-party logistics providers specializing in manufacturing warehousing) grew from 15 MSF in 2019 to 29 MSF in 2022, or nearly half of the gross absorption.

Source: RankingCharts https://www.youtube.com/watch?v=Z93yWXb9T

THE INTERNATIONAL UNIVERSITY

VACANCY RATE, MEXICO 6 MAIN MARKETS %





Very low space availability (1.1% as of Q1 2023 vs. 6% expansion average for 2013-2019) pushes demand into the future.

60% of the space currently under construction is pre-leased, compared to **36%** in 2019. CDMX, Monterrey, Ciudad Juárez, Guadalajara, Reynosa y Tijuana

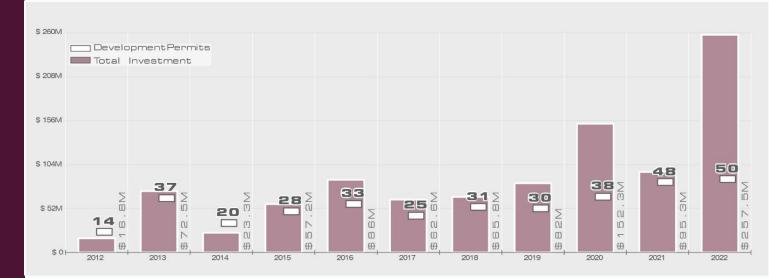


Source: Companies Market Cap https://companiesmarketcap.com

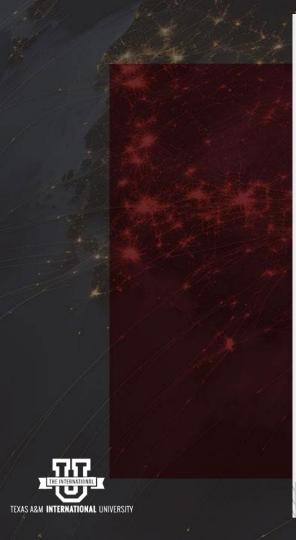
LOGISTICS

FACILITIES

LAREDO POE WAREHOUSE & INDUSTRIAL PARK DEVELOPMENT







TOTAL NEARSHORING OPPORTUNITIES BY COUNTRY ADDITIONAL EXPORTS OF GOODS

(M: US\$ MILLIONS, B: US\$ BILLIONS)



Source: Companies Market Cap https://companiesmarketcap.com





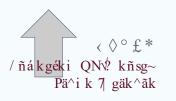
Nearshoring: potential opportunities for increased exports, by country <u>Trade in goods only</u> - US\$ millions

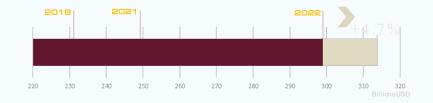
COUNTRY	Quick Wins – United States	Intra-LAC Quick Wins	Medium-Term Opportunities	Total	
Argentina	890.7	1518.0	1497.8	3906.5	
Bahamas	33.2	23.8	119.9	177.0	
Belize	5.9	6.3	31.7	43.9	
Bolivia	50.5	60.8	14.1	125.3	
Brazil	4153.0	3144.3	546.8	7844.1	
Barbados	9.7	42.8	8.1	60.6	
Chile	665.8	516.0	641.1	1822.9	
Colombia	1498.5	886.9	188.4	2573.8	
Costa Rica	918.1	539.3	87.4	1544.8	
Dominican Republic	1362.9	150.2	67.6	1580.7	
Ecuador	482.0	285.8	72.8	840.7	
Guatemala	436.4	293.8	55.5	785.7	
Guyana	23.7	370.1	6.2	400.0	
Honduras	745.1	418.7	79.0	1242.8	
Haiti	237.2	11.4	4.4	253.1	
Jamaica	84.9	25.8	27.8	138.5	
Mexico	29679.4	2628.2	2970.6	35278.2	
Nicaragua	473.3	78.2	17.0	568.5	
Panama	81.3	549.2	171.5	802.0	
Peru	792.0	498.0	128.4	1418.5	
Paraguay	43.9	181.1	26.3	251.3	
El Salvador	686.4	343.6	19.9	1049.9	
Suriname	25.0	18.7	14.8	58.5	
Trinidad and Tobago	87.9	304.5	84.3	476.7	
Uruguay	69.3	369.5	89.4	528.2	
Venezuela	218.4	48.7	53.8	320.9	
Latin America and Caribbean (LAC)	43754.4	13313.7	7024.9	64093.0	

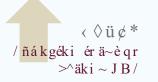
urce: Companies Market Cap //companiesmarketcap.com

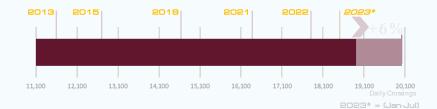


NEARSHORING IMPACT













LAREDO



Why Mexico in this Nearshoring Context?

•Location: Proximity to the US, which favors companies that serve North American consumers.

•Free Trade Agreements: Mexico is the only developing country that has free trade agreements with the US, Canada, the European Union and Japan. In total, Mexico has 13 Free Trade Agreements signed with 46 countries

•**Regulations and Trade Wars:** Recent regulatory decisions and trade wars are favoring alignment among North American supply chains.



Smart Borders: The key to more resilient cross-border trade

SMART BORDERS

Smart borders refer to the use of technology and data to facilitate the movement of people and goods across borders while ensuring security. These initiatives include electronic customs systems, automated border control systems, and risk assessment tools (Svitek et al.:2019).

Benefits

Challenges

- 1. Increase the efficiency of border crossings by reducing wait times and processing times.
- 2. Can improve security by effectively identifying and targeting high-risk individuals and goods.
- 3. Reduce costs by decreasing the need for manual processing and increasing automation.
- 4. improve data collection and analysis, allowing for better decision-making and risk assessment

- Implementing smart border initiatives requires significant investment in technology and infrastructure.
- 2. using technology and data raises concerns about privacy and data protection. Smart borders require collecting and analyzing significant amounts of personal data, raising privacy and data protection concerns.
- Implementing smart borders requires international cooperation and coordination, which can take time and effort.

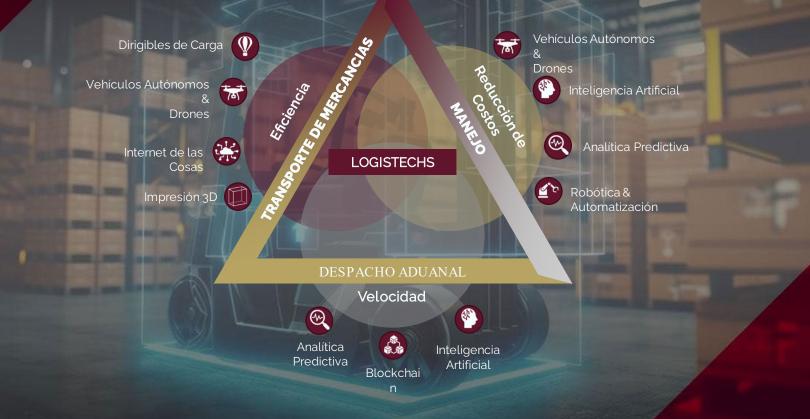
SMART BORDERS

LO · GIS · TECHS

Represent the impact that exponential technologies have on logistics and can be classified as the technologies that support the transport of goods, those that improve their handling, and the ones that expedite their customs clearance.



LOGISTECHS



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