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LaredoChamber of Commerce
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Economic Outlook Report

TEXAS CENTER FOR BORDER ECONOMIC & ENTERPRISE DEVELOPMENT
TEXAS A&M INTERNATIONAL UNIVERSITY

Inside this Issue...

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Introduction

The Texas A&M International University (TAMIU), A.R. Sanchez School of Business, Texas Center for Border Economic and Enterprise Development (TCBEED), presents the Vision 2026 edition of the Economic Outlook Report. This report presents the TCBEED's visual data analysis of local socioeconomic indicators. Its different sections give an overview of indicators on international trade, local demographics, and Port Laredo's international bridges.

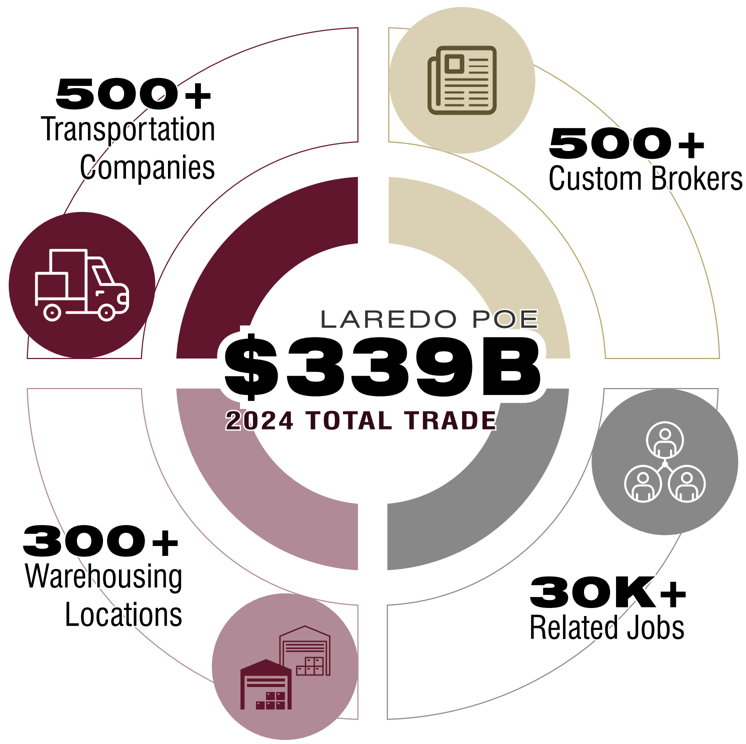
Bilateral Deals, Trilateral Reality: The Case Against Fragmenting USMCA

by Daniel Covarrubias, Ph.D., Director, Texas Center for Border Economic and Enterprise Development, A.R. Sanchez Jr., School of Business, Texas A&M International University

Every day, close to 20,000 trucks cross the international bridges connecting Laredo with Nuevo Laredo, Tamaulipas, and Colombia, Nuevo León. Each crossing operates under a single trilateral rulebook, the United States-Mexico-Canada Agreement (USMCA). One framework governs how certificates of origin are calculated, how customs brokers verify compliance, and how manufacturers document that their products qualify for duty-free treatment.

(Continued on page 2)

This unified system is precisely what made Port Laredo the number one U.S. port of entry by total trade value in 2023, processing over $320 billion in commerce, and kept it there in 2024, with trade climbing to $339 billion, up 6% year-over-year. The organic logistics cluster that developed around this framework, over 500 customs broker firms, more than 500 transportation companies, and at least 300 warehousing facilities employing more than 30,000 people on both sides of the border, depends on regulatory predictability.



Port of Laredo's Trade Supporting Infrastructure
Figure 1

Now imagine that single rulebook becomes three.

As the mandatory 2026 joint review of USMCA moves from public testimony toward the July decision, some policymakers in Washington have floated an idea: eliminate the trilateral framework and replace it with separate bilateral deals, one between the U.S. and Mexico, another between the U.S. and Canada.

The argument sounds appealingly simple: Two direct relationships instead of one complicated three-way arrangement. More leverage, more flexibility, cleaner outcomes.

The bilateral appeal is understandable. When the largest economy is in the room, dealing with partners one-on-one should theoretically provide an advantage. And politically, bilateral deals allow distinct wins to be claimed with each partner. The reality, however, is different: what works politically rarely survives contact with actual supply chains. And nowhere does policy meet operational reality more directly than at the international commercial bridges of Port Laredo.

The Compliance Burden of Bilateral Deals

Consider what bilateral fragmentation would mean operationally. Current USMCA rules require manufacturers to track whether products meet regional value content requirements: 75% for automotive, with 40-45% labor value content from facilities paying $16 per hour, plus 70% North American steel and aluminum. One framework, one set of rules, one compliance system.

Under three separate bilateral agreements, companies would need to track separate rule sets for U.S.-Mexico, U.S.-Canada, and Mexico-Canada trade simultaneously.

A component manufactured in Mexico using Canadian steel and American design, then assembled in the U.S. for export to Canada, would need to satisfy three different sets of origin rules, each with distinct calculation methods, different thresholds, and separate certification requirements.

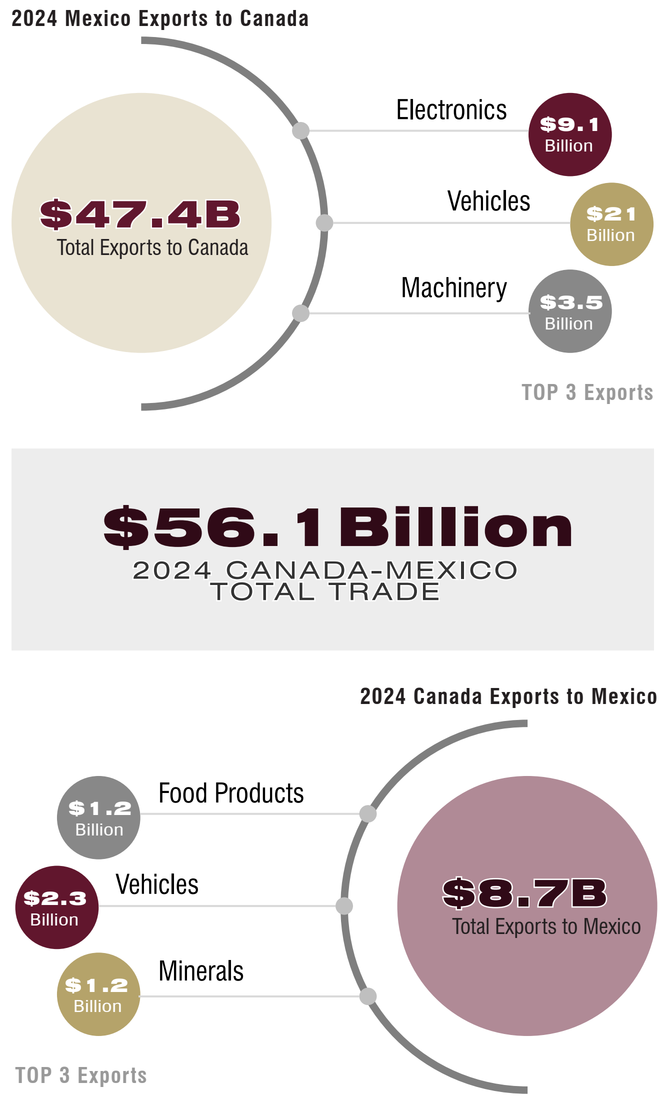
The customs brokers facilitating trade at Port Laredo's bridges would face dramatically compounded liability. Since the recent wave of tariff implementations, these professionals are already dealing with heightened responsibility, retroactively accountable for entry errors even when operating with incomplete or changing information. Imagine compounding this liability across three separate bilateral frameworks with different standards, deadlines, and enforcement mechanisms. The compliance infrastructure that makes North American trade function is already straining. Bilateral fragmentation would only deepen that strain.

This isn't theoretical. USMCA has already introduced significant complexity compared to NAFTA, requiring manufacturers to track five or six factors throughout supply chains, up from one or two previously. Under the old agreement, the vast majority of imports claimed preferential treatment. Under USMCA, a growing share of Canadian and Mexican imports now enter the United States without claiming preferences at all, importers opting to pay standard tariffs rather than deal with the agreement's complex rules of origin. Now triple that complexity.

The Congressional Research Service calls this the "spaghetti bowl effect", divergent rules of origin creating trade barriers across entire supply chains. We've seen this pattern in other regions, and it always ends the same way: companies relocate manufacturing to simpler regulatory environments. In this case, that means Asia, precisely the opposite of what bilateral proponents claim they want.

The Mexico-Canada Problem

Bilateral proponents consistently overlook the $56 billion Mexico-Canada trade relationship that separate U.S. deals would impact. This isn't a rounding error. Mexico exports over $33 billion annually to Canada, $12.7 billion in vehicles, $5.1 billion in machinery, $5.1 billion in electronics.



2024 Mexico-Canada Trade Relationship
Figure 2

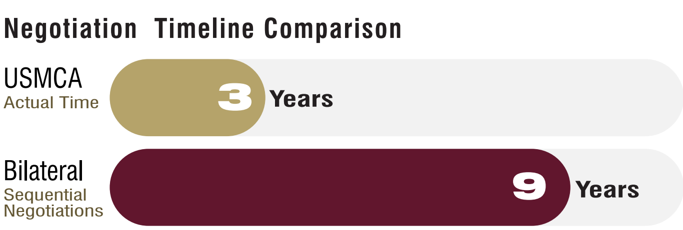
Canada sends $6.3 billion south, including $1.3 billion in auto parts and over half a billion in meat products. Canadian companies are equipping Mexican factories, investing in nearshoring capacity that benefits the entire bloc.

USMCA's regional content requirements are mathematically impossible to meet for many products without inputs from all three nations. The 75% automotive content rule and yarn-forward textile requirements assume trilateral sourcing. Bilateral deals would likely revert to lower content thresholds, reopening the door to Asian inputs and diluting the "Factory North America" advantage built over three decades.

Time, Uncertainty, and Strategic Competition

The negotiating timeline deserves serious attention. The original USMCA renegotiation took approximately three years, from its initiation in 2017 to its entry into force in 2020.

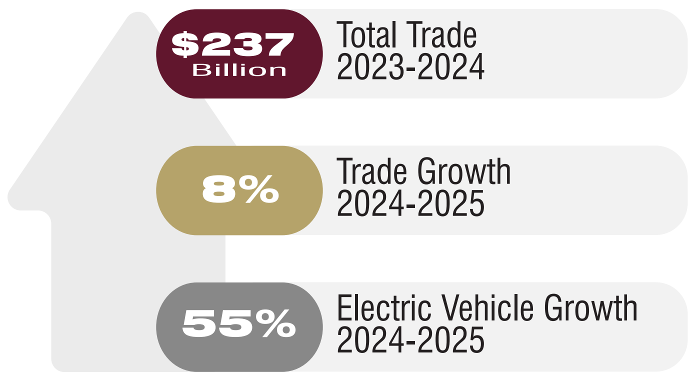
Three separate bilateral negotiations would likely require similar timelines for each agreement—years of uncertainty if pursued sequentially, or significant coordination challenges if pursued in parallel. The United States currently lacks Trade Promotion Authority, which would complicate any comprehensive renegotiation.



Negotiation Timeline Scenarios
Figure 3

That timeline matters because uncertainty itself imposes massive costs. Companies planning investments need to know what trade rules will look like. Years of negotiating bilateral deals would create exactly the prolonged uncertainty that drives companies to relocate manufacturing to more stable regions.

The strategic timing couldn't be worse. While North America debates fragmenting itself, China is aggressively redirecting export capacity southward. Chinese exports to Latin America grew 13% between 2023 and 2024, reaching a record $287 billion, then surged another 8% through November 2025 as manufacturers pivoted away from tariff-constrained U.S. markets. Electric vehicle exports to the region jumped 55% in a single year.



China's Competitive Growth in Latinamerica
Figure 4

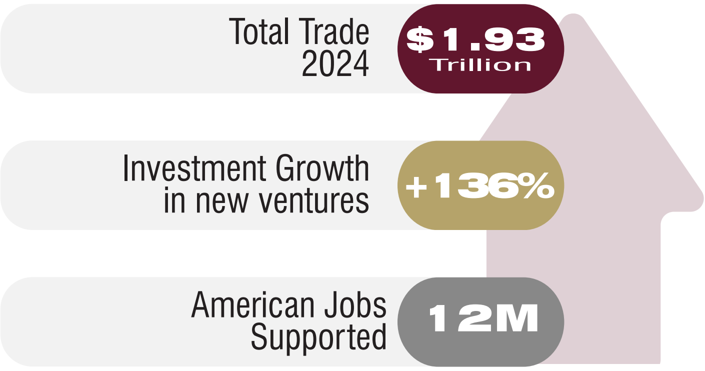
Mexico itself recognizes this competitive threat, having raised tariffs on over 500 Chinese product categories to protect its USMCA-compliant manufacturing base. Yet Mexican factories still depend on Chinese components, a vulnerability that coordinated trilateral investment screening could address far more effectively than fragmented bilateral arrangements.

What China couldn't achieve through direct competition, fragmenting the only integrated manufacturing bloc capable of challenging its dominance, North America risks accomplishing through self-inflicted bilateral decoupling

What Trilateral Cooperation Has Built

It is worth considering what would be dismantled. Since the USMCA implementation, intra-regional trade has grown 37% to approximately $1.93 trillion in 2024. Investment in new ventures has surged 136%. This integration supports more than 12 million American jobs, with 42 U.S. states counting Canada or Mexico as their top export destination. The United States supplies nearly half of Mexico's intermediate manufacturing inputs. In automotive manufacturing, parts cross borders 7-8 times before final assembly. Mexico imports 49.4% of all auto parts from the United States and exports 86.9% of its production back to U.S. markets. One-third of critical U.S. manufacturing inputs now come from Canada or Mexico rather than China. That's not an accident. It's three decades of patiently constructing supply chains.

USMCA also achieved something unprecedented: labor union endorsement of a trade agreement for the first time since the 1960s. The Rapid Response Labor Mechanism has processed more than two dozen complaints since 2021, with the vast majority resulting in successful resolutions that deliver backpay, reinstatements, and improved working conditions at Mexican facilities. This enforcement mechanism requires trilateral cooperation.



USMCA Achievements
Figure 5

Modernize, Don't Fragment

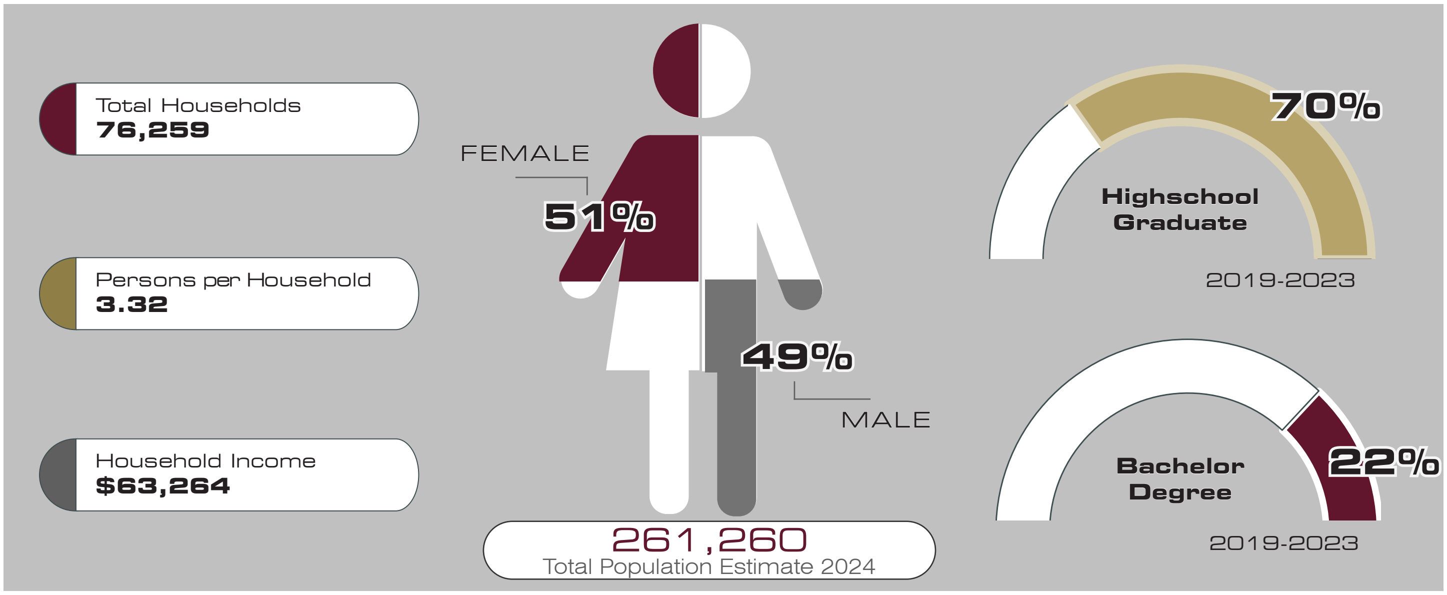
Bilateral deals would fragment enforcement and resurrect precisely the decades-long labor-trade conflicts that were just beginning to resolve. Rather than fragmenting USMCA into bilateral deals, the 2026 review should modernize the trilateral framework through targeted updates, using side letters or binding instruments rather than reopening the core text. Priority areas include artificial intelligence governance, digital trade provisions, critical minerals cooperation, and enhanced supply chain security mechanisms. Institutional innovations, such as coordinated investment screening, digital infrastructure alignment, and industrial policy coordination, could strengthen North American competitiveness without sacrificing the trilateral architecture that makes integration work. Automotive rules of origin merit recalibration; current evidence suggests they have become counterproductively strict. The solution is a trilateral adjustment of thresholds, not three separate bilateral automotive agreements that would triple complexity.

The choice facing North America isn't merely technical trade policy. It's whether three sovereign nations can sustain cooperation producing mutual prosperity, or whether short-term political pressures will fragment decades of integration precisely when unity matters most.

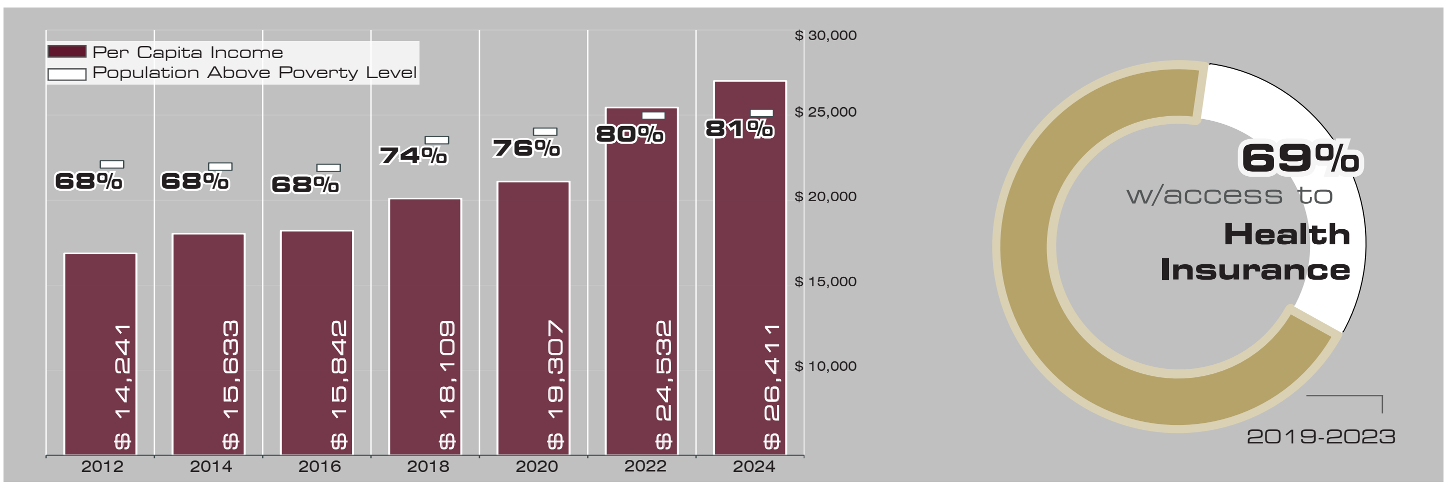
From where we sit in Laredo, watching those close to 20,000 daily truck crossings that represent the physical manifestation of trilateral integration, the operational case is clear. USMCA 2.0, modernized and strengthened, beats bilateral fragmentation on every measure that matters: economically, operationally, and strategically. North America must choose integration over fragmentation, certainty over chaos, and collective strength over bilateral vulnerability. The alternative isn't just bad policy. It's a strategic gift to its competitors.

Demographic Outlook

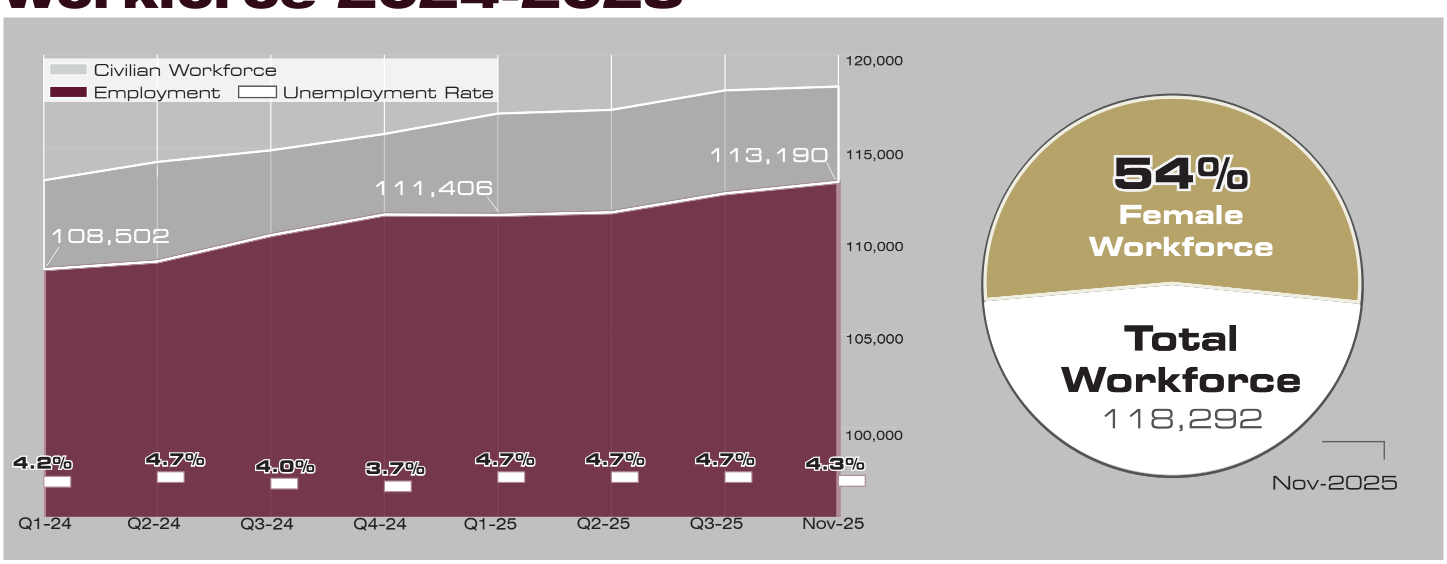
Population



Income and Health



Workforce 2024-2025



Source: U.S. Census Bureau, Texas Workforce Commision: Labor Market Information

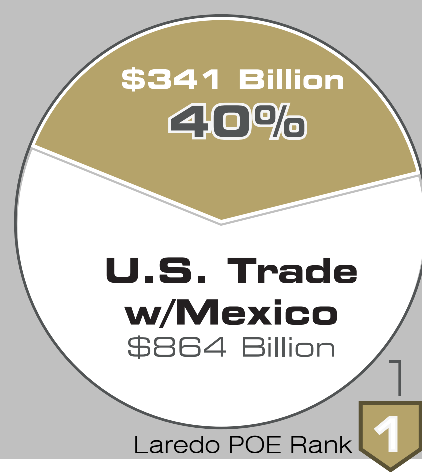
Top 5 U.S. Ports of Entry

Nov 2024-Oct 2025 Total Import/Export Trade Value

1. **$420 billion** Chicago, IL
2. **$384 billion** JFK Int'l Airport
3. **$352 billion** Laredo, TX
4. **$313 billion** Los Angeles, CA
5. **$237 billion** Newark, NJ

Share of Total U.S. Trade

Nov 2024-Oct 2025 Laredo Port of Entry



Commodity Transportation

Nov 2024-Oct 2025 **Commercial** Crossings into U.S. through Border POE

Commercial Truck Crossings

2.96 Million
Truck Crossing into the U.S.

$261 Billion
Total Import/Export Traded Value

Rail Container Crossings

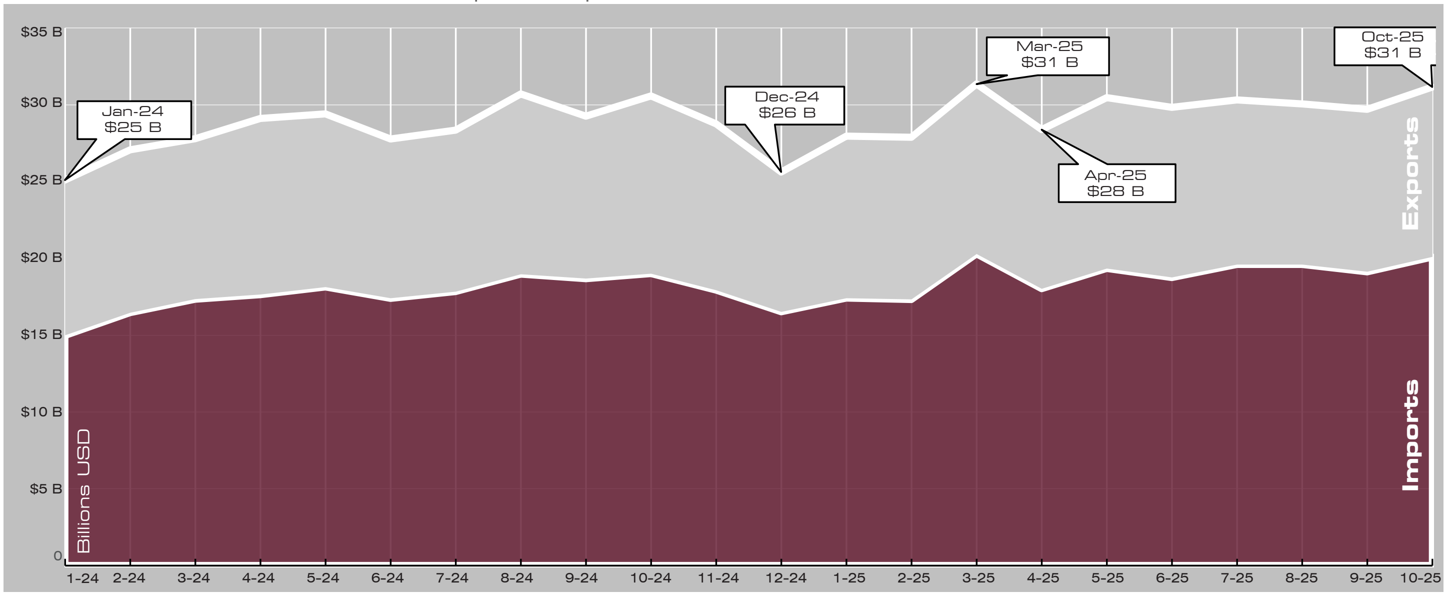
480,479
Rail Containers Crossing into the U.S.

$50 Billion
Total Import/Export Traded Value

Source: U.S. Census Bureau Economic Indicators Division, U.S. Bureau of Transportation Statistics

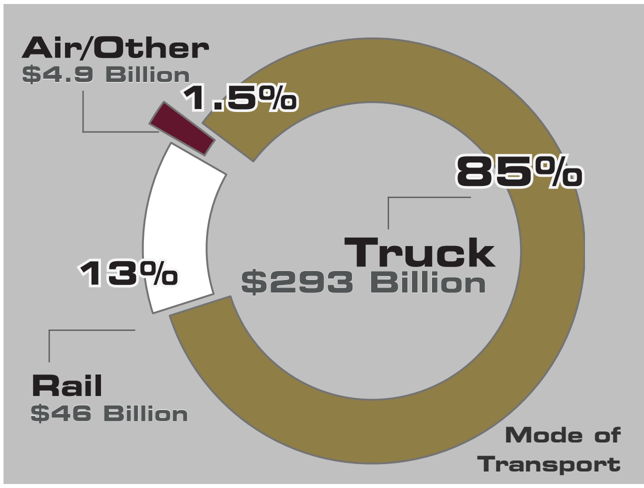
Laredo POE Trade Trend

Jan 2024-Oct 2025 Total World Import / Export Trade Value



Total World Import / Export Trade

Nov 2024-Oct 2025 Laredo POE



Top Exports

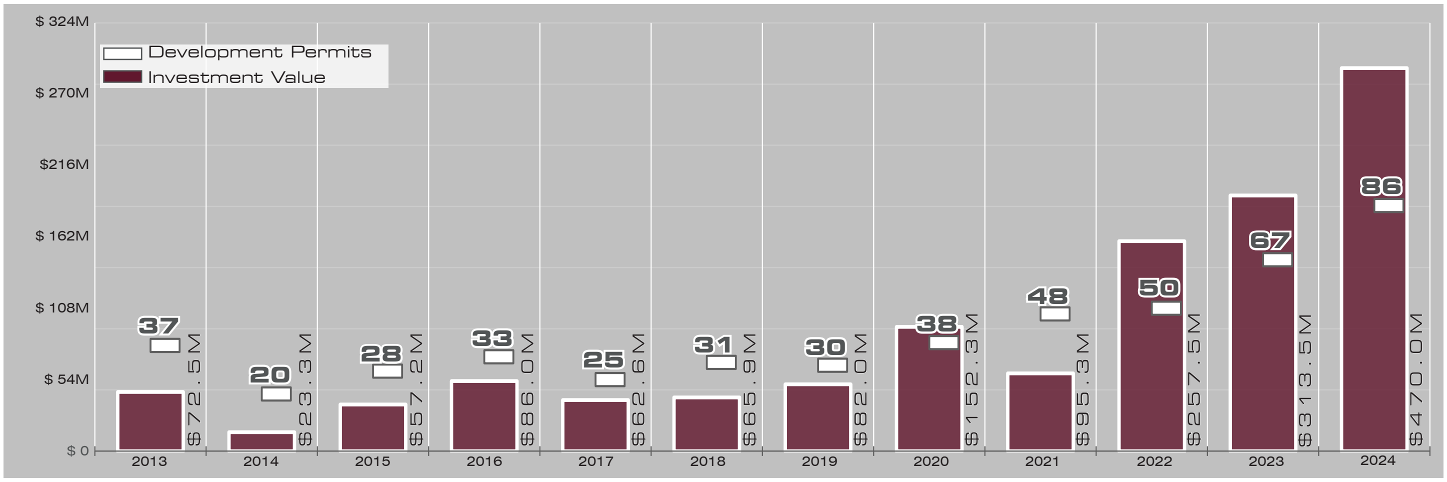
1. Machinery and Parts $23.1 Billion
2. Electrical Equipment $18.1 Billion
3. Vehicles and Parts $17.9 Billion
4. Plastics $10.3 Billion
5. Mineral Fuel, Oil $6.1 Billion

Top Imports

1. Machinery and Parts $61.0 Billion
2. Vehicles and Parts $58.18 Billion
3. Electrical Equipment $35.4 Billion
4. Furniture, Bedding $5.6 Billion
5. Plastics $4.0 Billion

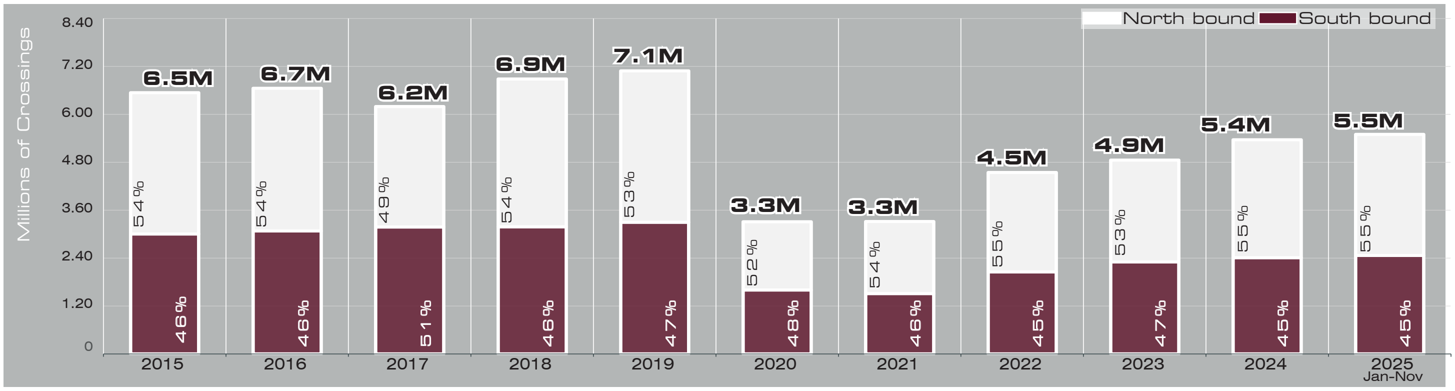
Logistics Facilities

Laredo POE Warehouse & Industrial Park Development

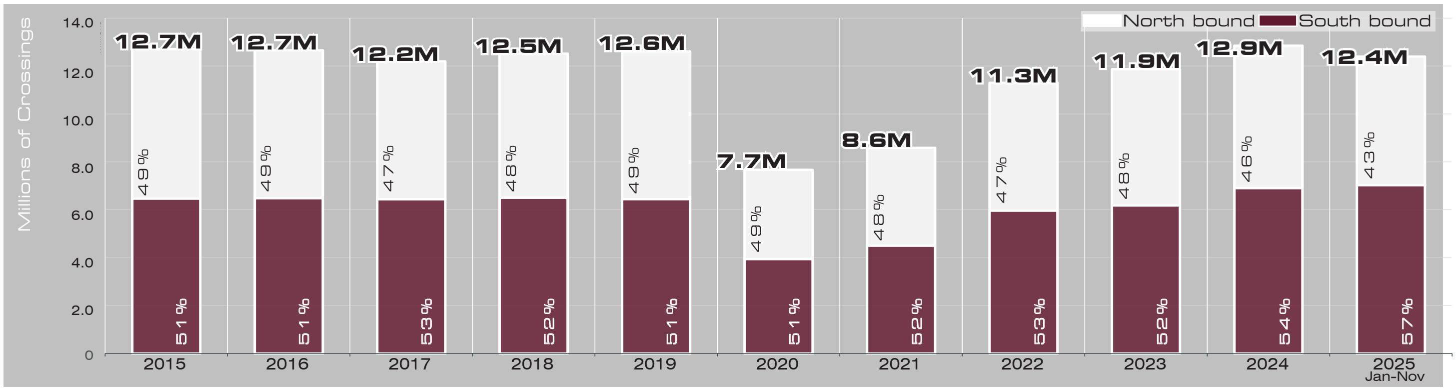


Source: U.S. Census Bureau Economic Indicators Division, U.S. Bureau of Transportation Statistics, City of Laredo Building Development Services, Laredo Economic Development Corporation

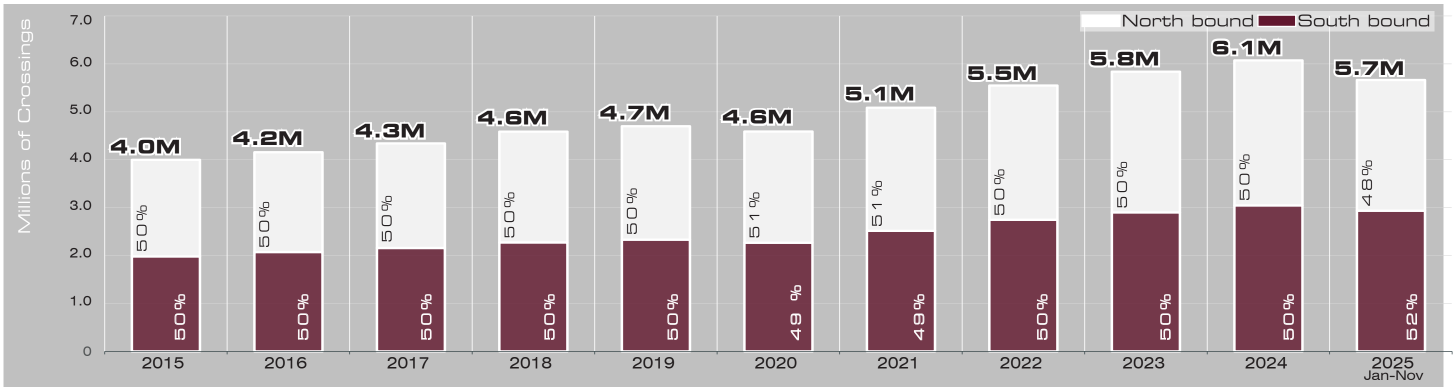
Pedestrian Crossings



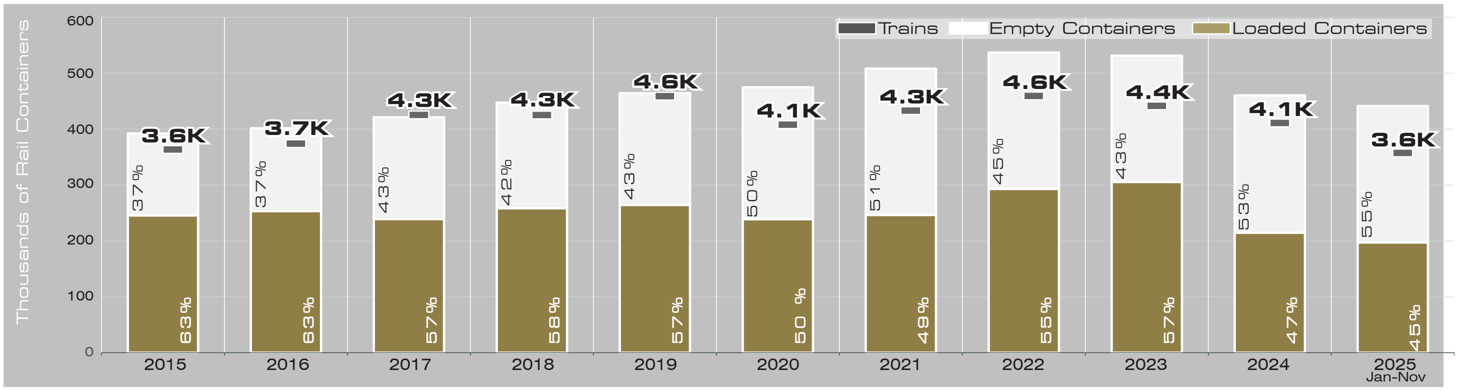
Passenger Vehicle Crossings



Commercial Truck Crossings



Northbound Rail Crossings



Source: U.S. Bureau of Transportation Statistics, City of Laredo Bridge System

TEXAS CENTER

FOR BORDER ECONOMIC & ENTERPRISE DEVELOPMENT

TEXAS A&M INTERNATIONAL UNIVERSITY

BACKGROUND

Since 1989 the Texas Center for Border Economic and Enterprise Development of Texas A&M International University, provides leadership and support to Texas border communities in their socio-economic development efforts, including activities in the areas of business, education, health care, public administration and the environment.

ABOUT

MISSION

Provide support to private and public entities with reserach, knowledge, information, assistantce and expertise in border and binational socio-economic

VISION

Contribute to the socio-economic development of the greater Laredo area with research and datanalysis that allows a better understanding of the U.S.-Mexico border.

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THE INTERNATIONAL

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SERVICES

DATA

We maintain a U.S.-Mexico border database (statistical, text and bibliographic) on development issues and trends, including social/demographic, business, economic, public finance, health, education, and the environment. We provide on-line access to the database via the Texas Center home page.

RESEARCH

We work closely with university colleges and departments to involve faculty and students in specific community based activities designed to foster economic development and improved standards of living in the border region. We support interdisciplinary border development related research and planning activities focused on meeting specific community needs and concerns. We publish and disseminate research results through special reports.

- Economic Development
- Business Competitiveness
- International Trade
- Logistechs
- Energy

MEET THE TEAM

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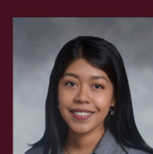

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Notes

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