The end of globalization: Texas-Mexico border ports trends

By SALVADOR CONTRERAS

OVER THE PAST COUPLE OF YEARS THERE HAVE been hundreds if not thousands of reports suggesting that the end of globalization is upon us (for example [1]). They suggest that the benefits to trade have run their course and that one should expect a retrenchment, or at least a pause, to further expansion. Certainly, current geo-political events make the case to rethink existing alliances.

The Texas Border Region, by its very nature is highly connected to international commerce. The recent, if temporary, decision by the Texas Governor to institute enhance inspections of Mexican trucks along the Texas – Mexico border reminds us that international trade is much bigger then the ports that oversee its flows or the trucks that sit hours on end patiently awaiting their turn to reach a customs officer [2]. It also affects available inventory at our local stores and the prices we pay at the counter.

In this piece we study trends in international trade between the US and its top 3 trading partners. We show a clear deceleration in said activity. We then turn our attention to the Texas-Mexico border. We show that national trade patterns are reflected in trade flows through the El Paso District and Laredo District. Finally, we take a close look at trends at each of the ports in the Laredo District. We close by analyzing the composition of goods that flow through these ports.

Top trading partners

We begin by showing trade patters between the US and its top 3 trading partners. All values are inflation adjusted using the Producer Price Index and reflect 2019 dollars. We focus on the dollar value of total trade. Total trade is defined as exports plus imports.

Figure 1 shows US total trade [exports + imports] with Canada, China, and Mexico. Values are in billions of dollars. Notice that from the early 1990s up to 2000 trade flows are steadily growing. In 2000 trade between Mexico and Canada begin to move sideways while trade

with China continues to increase. This period coincides with China joining the World Trade Organization (WTO) in 2001. Canada total trade with the US continued to go sideways through 2021. After the 2008 Financial Crisis we see that Mexico's trade flows keep pace with China till 2017. Days into the Trump administration's presidency, the US pulled out of the Trans-Pacific Partnership in early 2017. This and ensuing policies to decouple the US from what were seen by some as bad trade deals can be seen in the data as a decline in trade flows with China [3]. Trade with Mexico continued to grow until the 2020 COVID lockdowns. This allowed Mexico to become the US largest trading partner in 2019. In 2021 total trade with these three countries stood around $580 billion or $1.7 trillion combined or roughly 10% of US Gross Domestic Product (GDP).

Figure 1: Total trade, top 3 US trading partners

SOURCE: US CENSUS USA TRADE

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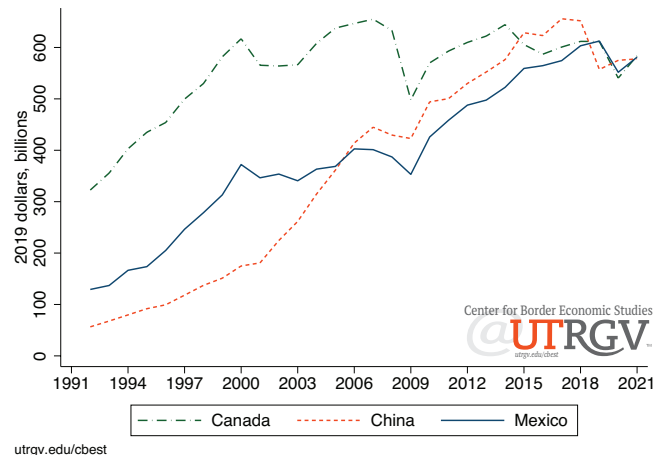
In general, trade has been trending down for the past 4 years. Is this a sign that the end of globalization is real? While, not likely. These trends suggest that it may no longer be expanding. Some argue that COVID and associated disruptions to manufacturing and supply chains is a likely culprit. Recent lookdowns of Shanghai affecting 26 million people, is a reminder that COVID is still around and that it continues to inflict damages to the world supply chain. No doubt, this is reflected in figure 1. Another reason can be placed on protectionist policies. For example, Trump era tariffs that covered a wide array

of goods from steel to washing machines have also played role. In 2019, the US earned $79 billion in tariff revenue, double that of 2017 [4].

More complex explanations are geo-political in nature that thread on national security to nationalism. The Russians are reminded in their current foray of conquest that wars require basic understanding of economics and supply chain management. All the money in the world cannot buy you a microprocessor if the seller is unwilling or unable to supply it. From this view, national security arguments seem reasonable. A Brookings report states that there were some benefits to Trump era protectionist policies. For example, employment at steel and aluminum factories appears to have benefited from the use of national security (section 232) reviews. Other antidotal evidence are announcements by companies like Intel who have committed to a $20 billion investment on a new plant in Ohio or Samsung with a $17 billion investment on a Texas facility.

Yet, another explanation to these trends is that trade benefits have run their course. From the time China joined the WTO till about a few years ago, American consumers enjoyed persistent low levels of inflation. For example, in the 1990s inflation, stripping out Food and Energy, averaged 3%, 2% in the 2000s, and 1.9% in the 2010s. In 2021 it averaged 3.6%, 2022 already promises to be above 2021. Low-cost foreign labor and global commodities have benefited Americans over the past 3 decades. However, there are signs that this may be coming to an end. Chinese Industrial Production Prices grew on average by 1.3% over 2000 to 2020. From January 2021 to March 2022 price growth has averaged 8.2%. The US is pushing companies to bring jobs back at a time when costs of producing in China and elsewhere are rising. American's own recent inflation trends in part reflect this story.

US trade with its top trading partners has stopped growing. It happens to coincide with a period of disappearing cost advantages to offshoring. Globalization continues to have a pulse. What is different now is that margins from trade to both consumers and businesspersons have begun to shrink. These trends will likely make it easier for protectionist voices to get a seat at the policymaking table. Next, we turn to the Texas-Mexico border region.

Texas Border

The El Paso District and the Laredo District cover all Texas land ports with Mexico. In 2021, the Laredo District handled $310 billion in total trade. For comparison, the El Paso District handled $103 billion. Figure 2 shows the two districts total trade index. We set 2010 as the reference year. The figure tells us that total trade prior to the Financial Crisis period was not growing. After 2009,

trade flows accelerated for about 6 years. Then, we see a deceleration that continues today. This is consistent with the general trends we observed in figure 1.

Figure 2: Total trade through Texas border port districts

Source: US Census USA Trade

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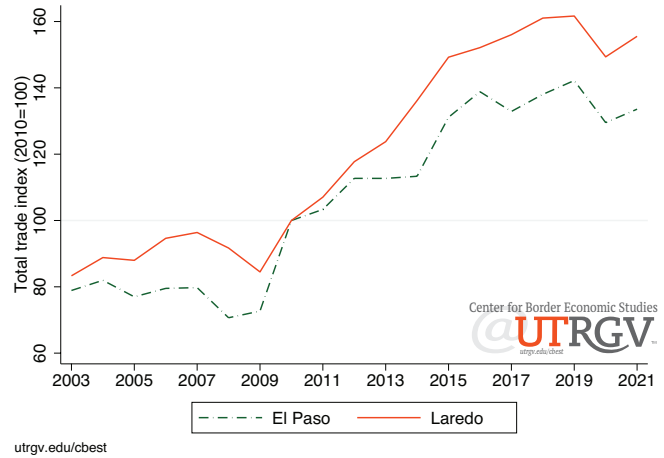
In 2021 total trade in the El Paso District and Laredo District was 34% and 56% above 2010 levels, respectively. Trade peaked in 2019, the El Paso District and Laredo District enjoyed $110 billion and $322 billion in total trade, respectively.

Figure 3: 2021 total trade by port

Source: US Census USA Trade
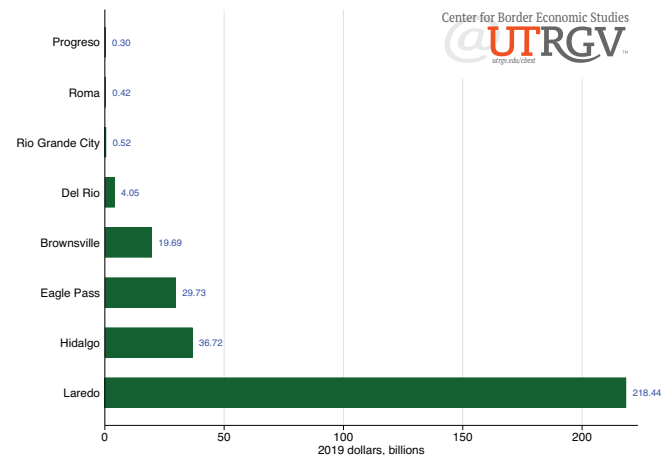
The Laredo District is made up of the Port of Brownsville, Port of Del Rio, Port of Eagle Pass, Edinburg Airport, Port of Hidalgo, Port of Laredo, Port of Progreso, Port of Rio Grande City, Port of Roma, and

Valley International Airport (Harlingen). We will not report on Edinburg Airport and briefly on Valley International Airport. These two ports are small and do not have trade figures in all the years of analysis. Figure 3 shows the inflation adjusted value of total trade through Laredo District ports.

Figure 4: Laredo District, large ports

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The Port of Laredo is the district's largest port. It accounts for 70% of district total. At distant second is the Port of Hidalgo that accounts for $37 billion or 12% of district total. The Port of Eagle Pass and Brownsville round up the largest 4 ports. The Port of Progresso is the district's smallest port. In 2021 it handled $304 million. Followed by the Port of Roma at $415 million.

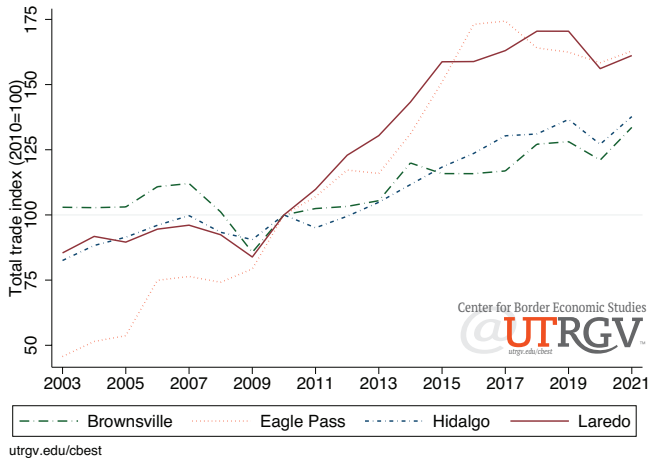*Figure 5: Laredo District, small ports*

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Figure 4 presents total trade index for the largest ports in the Laredo District. The index is normalized to 100 in 2010 and is based on inflation adjusted port level total trade. The Port of Eagle Pass and Port of Laredo saw the highest growth over the past 10 years. However, notice that these ports reflect zero growth over the past 5 years, like national trends. In 2021, the Port of Eagle Pass and Port of Laredo were 63% and 61% above 2010 levels, respectively. The Port of Brownsville and Port of Hidalgo have seen a steady upward movement in trade flows over the past 10 yeas. In 2021 these ports were 34% and 38% above their 2010 levels, respectively.
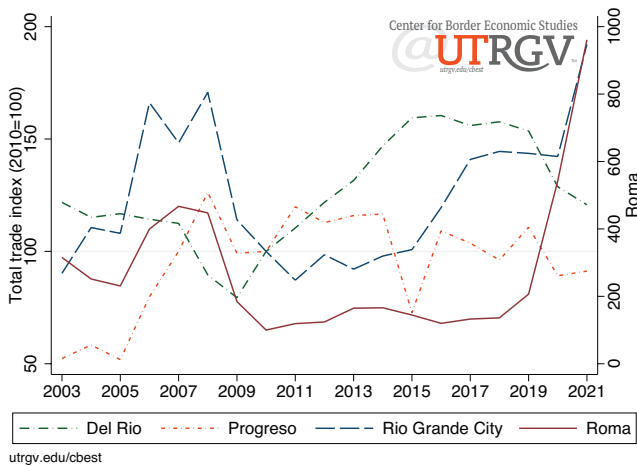
Figure 5 presents the total trade index for the small ports in the Laredo District. The Port of Roma has the largest increase. For this reason, the values for the Port of Roma appear on the right-axis (all others, left-axis). In 2021, the Port of Roma moved 10 times the value it handled in 2010. This impressive growth occurred in the past 3 years. The Port of Rio Grande City observed the second largest end of period growth. In 2021 total trade was under 2 times larger than 2010. The only port to see no growth over the past decade is the Port of Progreso. It ended 2021 9% below its 2010 level.

Composition of goods

Next, we present the categories of goods that cross the El Paso District and Laredo District. Categories are based on the Harmonized System (HS) codes. We present both 2-digit and 6-digit categories. The 2-digits correspond to the chapter or broad category. The item can be further detailed by their heading with two additional digits and subheading with an additional two digits. Table 1 presents the 2021 share of total trade by chapter category (2-digit). For example, HS 84 "Nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof" represents 36% of the $103 billions of total trade in the El Paso District. Of these, 11 billion was southbound and $26 billion was northbound flows, for a total of $37 billion. There is a total of 99 2-digit codes.

Table 1 presents the top 10 2-digit codes for the El Paso District and Laredo District. Notice that 75% of everything that moves through the El Paso District are in the top 4 categories. Six of the district's 10 categories have exports exceed imports. Of the 10 categories, on net, $19 billion flow northbound. In comparison, the Laredo District appears more diversified. The top 10 categories account for 75% of total flows. In addition, both El Paso District and Laredo Districts share the same top three HS 2-digit categories 84, 85, and 87. These three account for 69% of El Paso District and 53% of Laredo District total trade. The Laredo District's top two categories account for $115 billion in total trade.

District	Harmonized System Code	Millions of 2019 dollars			Share of total trade (%)
		Exports	Imports	Total trade	
El Paso	84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	10,894.7	26,208.0	37,102.6	36.0
El Paso	85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	13,342.5	12,400.8	25,743.2	25.0
El Paso	87 Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	1,094.0	6,828.2	7,922.2	7.7
El Paso	90 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	1,612.1	5,178.4	6,790.5	6.6
El Paso	39 Plastics and articles thereof	2,330.3	819.5	3,149.9	3.1
El Paso	27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	3,026.3	0.5	3,026.8	2.9
El Paso	94 Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	173.9	1,964.4	2,138.3	2.1
El Paso	73 Articles of iron or steel	746.6	432.4	1,179.0	1.1
El Paso	10 Cereals	1,001.2	3.8	1,005.0	1.0
El Paso	74 Copper and articles thereof	744.4	112.9	857.3	0.8
Laredo	87 Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	12,449.4	51,908.3	64,357.7	20.8
Laredo	84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	17,991.9	32,861.6	50,853.5	16.4
Laredo	85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	14,886.4	33,863.7	48,750.1	15.7
Laredo	27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	16,451.6	381.6	16,833.2	5.4
Laredo	39 Plastics and articles thereof	11,248.5	4,177.4	15,425.9	5.0
Laredo	73 Articles of iron or steel	3,552.5	4,416.2	7,968.6	2.6
Laredo	94 Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	911.4	6,599.3	7,510.7	2.4
Laredo	90 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	2,590.1	4,298.8	6,889.0	2.2
Laredo	22 Beverages, spirits and vinegar	192.8	6,380.0	6,572.8	2.1
Laredo	8 Edible fruit and nuts; peel of citrus fruit or melons	79.5	5,487.9	5,567.3	1.8

Table 1: 2021 El Paso District and Laredo District share of total trade, top 10 categories (2-digit)

Table 2 presents the more disaggregated 6-digit categories for all ports in the Laredo District (except Edinburg Airport). We present the top 5 goods. For example, the top category through the Port of Brownsville is HS 271019, "Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations." The Port of Brownsville saw $2.6 billion flow southbound and $286 million northbound. This good accounts for 14.5% of the port's $19.7 billion in total trade. Three of the top 5 categories in the port are in HS

27. The oil and gas sector accounts for a quarter of the port's total trade. More importantly, these are mainly southbound flows. Table 2 also shows that natural gas is an important commodity accounting for $1.4 billion and $4.2 billion of southbound flows through the Port of Brownsville and the Port of Hidalgo, respectively.

In February avocados were temporary barred from entering the US because of a threatening phone call made to a US inspector in the state of Michoacan [5]. More recently, Governor Abbot's decision to order enhanced inspections of trucks crossing from Mexico caused much

Port	Harmonized System Code	Millions of 2019 dollars			Share of total trade (%)
		Exports	Imports	Total trade	
Brownsville	271019 Petrol Oil Bitum Mineral (nt Crud) Etc Nt Biodiesl	2,562.0	286.4	2,848.3	14.5
Brownsville	271121 Natural Gas, Gaseous	1,392.7	0.0	1,392.7	7.1
Brownsville	852351 Solid-state Non-vol Semiconductor Storage Devices	1.4	1,063.7	1,065.1	5.4
Brownsville	271012 Lt Oils, Preps Gt=70% Petroleum/bitum Nt Biodiesel	734.1	0.0	734.1	3.7
Brownsville	847330 Parts & Accessories For Adp Machines & Units	54.9	502.3	557.2	2.8
Del Rio	940190 Parts Of Seats (ex Medical, Barber, Dental Etc)	13.6	480.8	494.4	12.2
Del Rio	841191 Turbojet And Turboproller Parts	2.1	288.6	290.7	7.2
Del Rio	880000 Civilian Aircraft, Engines, And Parts	247.5	0.0	247.5	6.1
Del Rio	870899 Parts And Accessories Of Motor Vehicles, Nesoi	67.2	160.4	227.6	5.6
Del Rio	850940 Electromech Food Grinder Processor Mixer Extrctor	74.9	116.9	191.8	4.7
Eagle Pass	870421 Trucks, Nesoi, Diesel Eng, Gvw 5 Metric Tons & Und	3.2	4,904.9	4,908.1	16.5
Eagle Pass	870431 Mtr Veh Trans Gds Spk Ig In C P Eng, Gvw Nov 5 Mtn	226.8	4,518.7	4,745.5	16.0
Eagle Pass	220300 Beer Made From Malt	0.0	3,091.2	3,091.2	10.4
Eagle Pass	870323 Pass Veh Spk-ig Int Com Rcpr P Eng >1500 Nov 3m cc	37.1	1,933.0	1,970.1	6.6
Eagle Pass	120190 Soybeans, Nesoi	909.5	0.0	909.5	3.1
Hidalgo	271121 Natural Gas, Gaseous	4,244.6	0.0	4,244.6	11.6
Hidalgo	852872 Reception Apparatus For Television, Color, Nesoi	0.8	2,564.2	2,565.0	7.0
Hidalgo	080440 Avocados, Fresh Or Dried	0.0	1,441.6	1,441.6	3.9
Hidalgo	853710 Controls Etc W Elect Appr F Elect Cont Nov 1000 V	99.5	938.4	1,037.9	2.8
Hidalgo	271012 Lt Oils, Preps Gt=70% Petroleum/bitum Nt Biodiesel	701.9	47.5	749.4	2.0
Laredo	870120 Road Tractors For Semi-trailers	17.7	6,177.7	6,195.4	2.8
Laredo	870899 Parts And Accessories Of Motor Vehicles, Nesoi	2,058.9	3,267.3	5,326.2	2.4
Laredo	851762 Mach For Recp/convr/trans/regn Of Voice/image/data	809.4	4,512.5	5,321.9	2.4
Laredo	870829 Pts & Access Of Bodies Of Motor Vehicles, Nesoi	1,480.9	3,656.0	5,137.0	2.4
Laredo	870323 Pass Veh Spk-ig Int Com Rcpr P Eng >1500 Nov 3m cc	157.9	4,218.6	4,376.5	2.0
Laredo	870840 Gear Boxes For Motor Vehicles	1,725.9	2,632.4	4,358.3	2.0
Progreso	100590 Corn (maize), Other Than Seed Corn	88.7	0.0	88.7	29.2
Progreso	080550 Lemons And Limes, Fresh Or Dried	0.0	52.2	52.2	17.2
Progreso	100610 Rice In The Husk (paddy Or Rough)	26.0	0.0	26.0	8.6
Progreso	100790 Grain Sorghum, Nesoi	25.3	0.0	25.3	8.3
Progreso	080440 Avocados, Fresh Or Dried	0.0	20.1	20.1	6.6
Rio Grande City	680911 Plstr Brds Etc Nt Orna, Fcd W ppr O pprbrd Only	0.0	58.8	58.8	11.2
Rio Grande City	730661 Tubes, Pipes Etc Irn/stl Wldd, Sq/rct Cr-sec Nesoi	0.6	42.8	43.4	8.3
Rio Grande City	847989 Mach & Mechanical Appl W Individual Function Nesoi	0.0	42.4	42.4	8.1
Rio Grande City	070960 Fruits Of Genus Capsicum Or Pimenta, Fresh/chilled	0.0	41.2	41.2	7.9
Rio Grande City	721070 Fr Ir/nas 600mm W Om, Painted, Varnished, Plastic	0.0	41.0	41.0	7.8
Roma	070200 Tomatoes, Fresh Or Chilled	0.0	80.5	80.5	19.4
Roma	070999 Vegetables, Fresh Or Chilled, Nesoi	0.0	40.3	40.3	9.7
Roma	220210 Waters, Incl Mineral & Aerated, Sweetnd Or Flavord	0.0	28.4	28.4	6.8
Roma	851712 Phones For Cellular Ntwks Or For Oth Wireless Ntwk	27.1	0.0	27.1	6.5
Roma	070490 Edible Brassicas (cabbages Etc) Nesoi, Fr Or Chill	0.0	20.3	20.3	4.9
VIA, Harlingen	880000 Civilian Aircraft, Engines, And Parts	5.4	0.0	5.4	68.1
VIA, Harlingen	854231 Processors And Controllers, Electronic Integ Circt	0.0	0.8	0.8	10.4
VIA, Harlingen	901590 Parts And Accessories For Surveying Etc Nesoi	0.8	0.0	0.8	10.4
VIA, Harlingen	850450 Electrical Inductors Nesoi	0.0	0.3	0.3	3.9
VIA, Harlingen	854239 Electronic Integrated Circuits, Nesoi	0.0	0.1	0.1	1.8

Table 2: 2021 Port level share of total trade, top 5 categories (6-digit)

concern about potential losses of perishable goods such as avocados and tomatoes [6]. Table 2 shows that $1.4 billion worth of avocados crossed through the Port of Hidalgo and $20 million the Port of Progreso. In addition to $52 million in lemons through the Port of Progreso, $41 million in peppers and pimento through the Port of Rio Grande City, and $81 million in tomatoes and $40 million

in vegetables through the Port of Roma. In all, about $1.7 billion in perishable produce crossed through the southern part of the Laredo District.

Table 2 shows that 4 of the 5 top 6-digit categories in the Port of Laredo are in HS 87. Indeed, 3 of the 5 categories in the Port of Eagle Pass are in HS 87. It shows that the northern part of the district mostly moves

components associated with the transportation industry. In addition, among the top three district's ports, the Port of Laredo is the most diversified, followed by the Port of Hidalgo, and the Port of Eagle Pass is the least. The top 5 6-digit commodities account for 53% of the Port of Eagle Pass total trade, 27% of the Port of Hidalgo and 14% of the Port of Laredo.

Summary

The end of globalization is probably not here. However, there are clear indications that US trade over the past few years has begun to wane. It's hard to see what the impetus will be to get trade flows growing again. National security concerns and politics across the globe are working in favor of taming globalists ideas. The Texas border region plays an important role helping keep shelves across the US stocked. This is often forgotten when policymakers fail to consider the effects that trade policy decisions have on the Texas border. In fact, we learned from the 10 days the Texas order on enhanced inspections of Mexican trucks was in effect that individuals with little say on matters of international commerce can so easily inflict damages on trade flows and border communities [7].

Authors

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Endnotes

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