

# U.S.-Mexico Cross-Border Market Insights

CROSS-BORDER EFFICIENCY

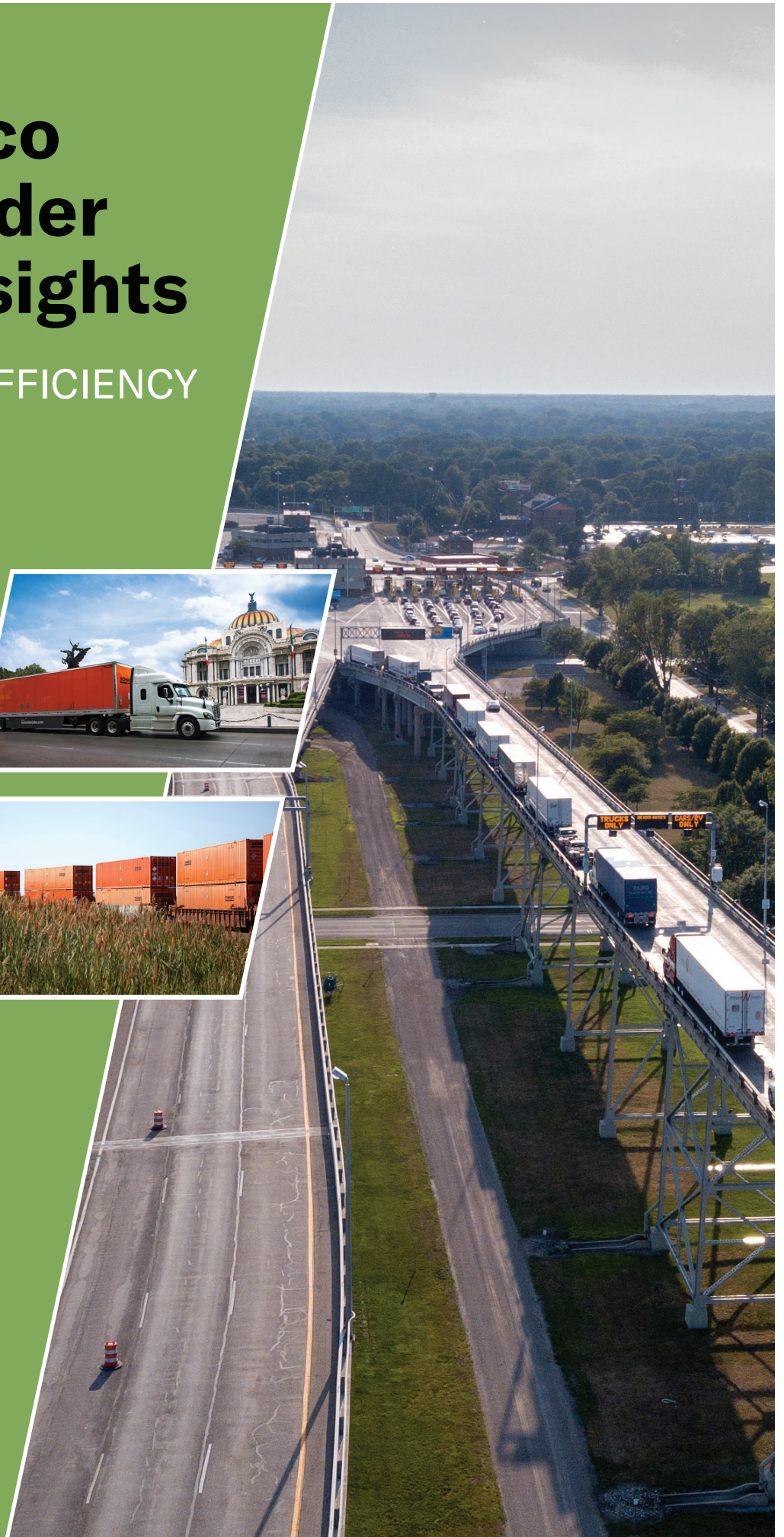
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*Prepared by the U.S.-Mexico  
Foundation, in conjunction  
with Schneider*



**SCHNEIDER**



## Inside

As a North America transportation leader operating in Mexico for over 30 years, Schneider has partnered with the U.S.-Mexico Foundation, a leader in U.S.-Mexico relations and promoter of North America, to provide an overview on border efficiency between in the region.

### About the U.S.-Mexico Foundation

The U.S.-Mexico Foundation (USMF) is a binational non-profit organization dedicated to fostering cooperation and bilateral understanding between the United States and Mexico. Rooted in the North America Free Trade Agreement and launched in 2009 with seed funds from the David & Lucile Packard Foundation, and the Business Foundation in Mexico (Fundemex).



The USMF is governed by a binational board consisting of business and civic leaders, with extensive networks in the U.S. and Mexico. The USMF embarked on a new chapter in 2018, with a compelling agenda that prioritizes policy and advocacy. The organization is focused on creating new strategic alliances, educating important stakeholders, and providing a voice on the most relevant issues concerning the U.S.-Mexico relationship.

### About Schneider

Schneider has been transporting freight for nearly 90 years – with 2022 marking our 30th anniversary servicing the Mexico cross-border market. Our decades of cross-border freight experience mean your cargo moves throughout North America without delay. We have the assets, facilities, associates, and third-party relationships in place to deliver safely, securely and on-time.



The cross-border Mexico market has been important to transportation and is increasingly growing with the evolutions of nearshoring. Schneider partners with other organizations, like USMF to educate our shippers to help you make the best decisions for your transportation strategy, as well as provide a voice for the transportation needs of our shippers.

### Looking for more information on cross-border trade?

- › U.S.-Mexico Foundation website: [www.usmexicofound.org](http://www.usmexicofound.org)
- › Schneider Resources: <https://schneider.com/resources>
- › Schneider Mexico Transportation Market Update: <https://schneider.com/resources/market-updates/mexico-transportation-market-report>

# The need of border efficiency in Mexico's nearshoring momentum

**Cross border mobility** is chiefly defined by the U.S. Department of Transportation as the effective movement of people, goods, and services across international borders. It's crucial for economic development between countries and regions, and that it's a must condition for sustainable interregional trade to occur. It's contingent on a broad array of factors, which range from the availability and functionality of the transportation infrastructure, through which movement of physical merchandise can occur, to security concerns and regulation procedures. Although not a strict dichotomy, ensuring the safety and security of both people and goods within border crossings often involves trade-offs that require a case-by-case analysis and tailored local recommendations.

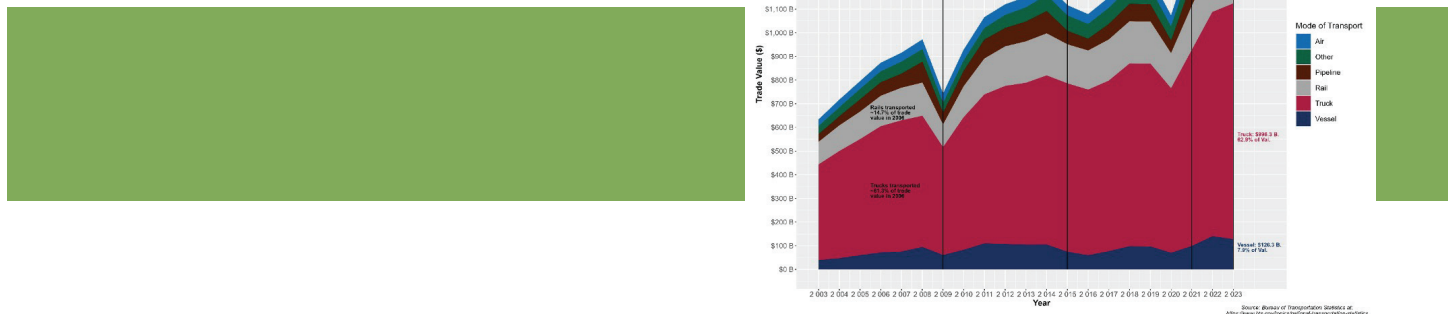
Cross border mobility and its *efficiency* are also dependent on the quality of facilitation and operations associated with expedited processes and special government programs to advance trade and mobility at these crossings. Most importantly, the type of border mobility and the infrastructure associated in specific communities have direct spillovers, social or economic, and on the environment. These also come into play when analyzing the types of borders in North America, the USMCA policies and the regional infrastructure which best supports efficient, secure, and sustainable cross-border flows.

## A brief overview of cross-border transportation in North America

The composition of **modes of transport** in which merchandise is shipped across North America among its trading partners has been sustained over the last 2 decades. From 2003 to 2023, trade volume among the three USMCA countries has grown almost 143% in value, going from \$1.27 trillion USD to \$3.1 trillion USD last year<sup>1</sup>. However, the modes of transportation of goods have not changed that much during the same time period. Take the U.S. as a point of reference for North American trade amongst the three countries. Trucks continue moving around 63% of Canadian and Mexican exports and imports across the United States (Figure 1), while 60% of total North American freight flows are moved by truck, highlighting the dependency on this mode of transport. Correspondingly, despite railways being a more sustainable mode of transport, because of their relative energy efficiency and lesser emissions produced per ton of freight carried, they continue to move in the U.S. approximately 14% of merchandise from North American partners.

Maritime transport, the backbone of global trade mobility, is nonetheless overshadowed in the region; as the trading partners reap the benefits of their border proximity, so has maritime transport among the three countries maintained its share of total merchandise transported in the U.S. This is not to say that trade has not grown amongst the three neighbors; it's merely a statement that even though total trade has more than doubled amongst the USMCA partners, the mediums of transport have not noticeably altered their composition; primarily in the U.S.

**Figure 1**  
U.S. Total Trade Value with Canada and Mexico by Transportation Mode (2003-2023)



<sup>1</sup> Sum of total exports to and imports from Canada, Mexico, and the United States.

Against this background, some **standardized metrics** might shed light on the conditions of current regional **infrastructure** at the borders, in terms of connectivity and logistics' efficiency **for trade**. Starting with the [Logistics Performance Index \(LPI\)](#), a metric developed by the World Bank to benchmark and keep track of trade infrastructure conditions' assessments, it is noticeable that Mexico has a lot of catching up to do with respect to its North American partners. Its weakest point in this framework is *customs clearance efficiency*, as it performs markedly lower than its North American and other members of the Organization for Economic Cooperation and Development ([OECD](#)). All of its index components of trade infrastructure valuation, from tracking and tracing merchandise to the overall quality of trade and transport-related infrastructure, rank lower than the world average. The only exception is the *timeliness* with which shipments reach destinations at expected or scheduled times, an area in which Mexico performs better than the world average, but not better than OECD counterparts or North American partners. On the other hand, Canadian logistics and trade infrastructure seem to overall perform better than the U.S. metrics in this regard; albeit the U.S. still ranking in the [top 20 global positions](#), with a position comparable to South Korea and just below France's score.

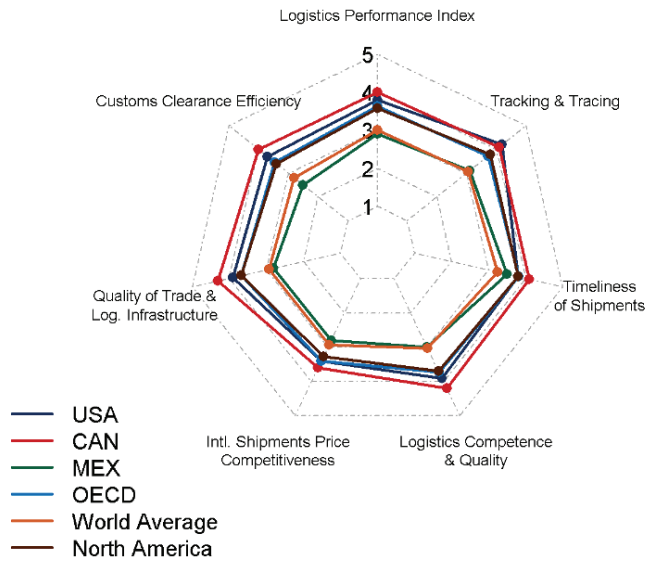
The top North American performer, Canada, holds a commendable (7th) position in this index among peers such as Austria, Belgium, Sweden, and Hong Kong. By contrast, the Mexican economy still has broad policy tasks to improve its global 66<sup>th</sup> ranking in this regard and would do well to aim its infrastructure bolstering efforts in catching up with a region of the trade dynamism and manufacturing importance that North America will offer in the coming decades.

A *low-hanging fruit* which presents a valuable window of opportunity, is that of customs clearance processes, in which its 84<sup>th</sup> global place might be ameliorated with modest streamlining which is cost-effective for commercial participants. This might present a policy agenda priority in which much can be accomplished, for a relative low cost in administration and regulation improvements, accompanied by the modernization of customs technology and procedures, if Mexico wants to reap more wholesomely the benefits of nearshoring.

Under this same LPI assessment, in terms of its maritime, air, rail and road infrastructure quality, Canada holds a 3<sup>rd</sup> world place, while the U.S. ranks with a 16<sup>th</sup> place between Austria and Norway. These rankings already compress key performance indicators such as connectivity in these areas (their international nodes' connections) as well as dwell times in ports and lead times of containers through global supply chain corridors. By contrast, Mexican infrastructure quality in this regard ranks marginally above the median of the distribution (Figure 2). With a 63<sup>rd</sup> global place, it's indicative that much about infrastructure capacity and quality must be put forward in terms of public, private, and international cooperation for it to competitively converge with its most important trading partners.

In terms of **maritime connectivity**, the [Liner Shipping Connectivity Index](#) captures how well ports are connected to global shipping networks. It incorporates the number of ports connected to destinations, average container capacities, ship sizes, and competitiveness of shipping companies at certain destinations. In this regard, the United States ranks top of the chain (5<sup>th</sup> global position), ranking to comparable countries such as the Netherlands and above Hong Kong. Canada and Mexico do not score as successfully in this regard (31<sup>st</sup> and 33<sup>rd</sup> in the global ranking respectively). Recently, S&P's Global Market Intelligence has joined efforts with the World Bank to assess the performance of vessel times in ports, coming up with the [Container Port Performance Index \(CPPI\)](#). While most of the top positions worldwide are dominated by Southeast Asian countries, surprisingly, Lázaro Cárdenas in Mexico ranks 50th in this global ranking due to its extension, installed capacity and strategic position in global trading routes. Meanwhile, the rest of the top North American ports in this ranking are dominated by U.S. ports—particularly those handling ultra-large container ships (ULCS), as a significant portion of trans-Pacific trade flows through the western U.S. ports.

## World Bank's Logistics Performance Index & Components' Scores (LPI): [1-5]



Source: <https://data.worldbank.org/indicator/LP.LPI.OVRL.XQ>

**Global shipping, terrestrial and port infrastructure**, if not modernized and kept up with increasing demand due to growing trade in North America, not only results in greater congestion of domestic roads and rails, which in turn translates into cost and time spillovers as % of exported merchandises; it also results in more pollution and greenhouse gas emissions. Freight railways offer more environmentally sustainable transportation option, which could play an expanding role in complementing the trade infrastructure needed in the region.

Mexico has conducted notable rail cargo improvements and public investments during the last years, giving momentum to this mode of transport. However, due to the rate of expansion in foreign trade and nearshoring opportunities, current railway equipment and technology could benefit from revamping traffic controls and modernizing track systems across the board. The general message is that while Canada and the U.S. face domestic infrastructure challenges of their own, they are still considered globally amongst the top performers in all things related to trade logistics and infrastructure. Regional disparities persist, however, in which the Mexican economy has vast areas of opportunity in broad trade infrastructure areas across the board.

However, its opportunities might lie in the same perceived weaknesses, since it hasn't deployed much of its physical and fixed capacity to a specific mode of transport, newer investments in sustainable modalities, with updated technology, is feasible and probably less costly than in the U.S. and Canada, due to their legacy infrastructure and committed spaces. Keeping up with this will become more critical as newer manufacturing opportunities continue to build up prevalently away from the border inside the country.

## Why does this matter?

**Cross-border mobility and efficiency matter** because they act as a *leveling tool* in the trading field. Encouraging their modernization, expansion and significance is **equitable** in their development nature. Usually, when thinking about policy instruments to enact trade promotion or restriction, tariffs and quotas come to mind. However, they are not the only sources of private costs on producers and consumers across economies. Trade-related transaction costs, customs' administrative fees, logistics or freight expenses, and overall border dwell times and charges, are particularly important for small businesses and traders. It is well known that Small and Medium-sized Enterprises (SMEs) conform the vast majority of employment and work participation worldwide. If border costs and times are too prohibitive due to infrastructure and excessive regulatory constraints, **border inefficiencies** might be acting as effective fixed entry costs and discouraging major hurdles for productive development and participation in which facilitating trade is essential.

Evidence suggests that [delays in cargo movement](#) and lags induced by excessive customs' procedures have a direct causal impact on trade and firms' foreign sales by reducing shipments and limiting buyers. In an increasingly competitive and globally integrated economic landscape, this issue is particularly critical for small and medium-sized businesses, which are vital to social and economic well-being. Delivering on border commercial and logistical infrastructure is not only a desirable sustainability goal, but also a social inclusion and human development task which fosters broader scale participation in the shared benefits of trade.

The second reason why border efficiency, particularly in terms of trade, is important for development should be evident, as it's directly related to **Foreign Direct Investment (FDI) and nearshoring** opportunities. The realities of productive relocation and the necessities of building up resilience in North American supply and production chains will only develop insofar the ability to move goods efficiently and competitively across our borders is addressed. This is particularly true for [advanced industries, which make up half of traded goods in our region](#) and are critical for national security; ranging from aerospace and advanced electronics, to pharmaceuticals and high precision instruments. Delays at border ports of entry and customs add to lost economic output, foregone productive opportunities and hinder the creation of direct jobs in [significant ways](#), affecting border communities in the hundreds of millions of USD and thousands of jobs. Hence, border physical and regulatory infrastructure must be viewed in national and regional terms, due to their broader impacts in interrelated investment opportunities, national security, and classic economic considerations. The materialization of shared prosperity emanating from trade and global integration goes hand in hand with a better future for border connectivity and infrastructure.

## Challenges for border efficiency

Trading across borders in terms of time and costs associated with the logistical process of exporting and importing goods in North America, when seen as whole competitive trading bloc, is comparable to top performers in [South East Asian countries such as Japan and China](#). However, the **trading bloc lacks a mechanism to collectively develop and fund infrastructure projects** which are high priority for the border regions. Its infrastructure limitations are affected pervasively due to investment deficits, that in the Canadian case might range up to \$600 billion CAN. And in the American landscape, targeted investments in trade infrastructure could cost-effectively increase GDP by one percentage point in five years while reducing budget deficits. Some geographical constraints such as Canada's vast space and sparse population distribution might limit efficient connectivity between major cities and ports, while climatic conditions could toll heavily on long-distance freight transport and systems' maintenance.

Trade infrastructure limitations in Mexico might be broader and more prevalent, as major ports such as Lázaro Cardenas and Manzanillo or Altamira, play significant roles in trade movements, while most smaller ports lack the infrastructure and technology to handle Ultra Large Container Ships (ULCS), leading to greater inefficiencies in maritime trade.

Additionally, Mexico's trade infrastructure development is increasingly slowed by limited facilities, outdated customs' systems, and security concerns which create significant trade infrastructure limitations. All of these binding constraints in each country have particular considerations with regards to their overburden and insufficiencies, excess demand, or supply shortage of physical capacities. And surely each country has its own technological and security policies which impact differently the viable planning, investment, and construction of new infrastructure.

Additionally, the development of trade infrastructure in Mexico is increasingly slowed by limited facilities, outdated customs systems, and security concerns, which create significant trade infrastructure limitations. All of these constraints in each country have particular considerations regarding their overload and insufficiencies, excess demand, or shortage of physical capacity. And surely, each country has its own technological and security policies that impact the viable planning, investment, and construction of new infrastructure differently.

However, the three parties of the trading bloc can harness [blended finance schemes](#), which hold the promise of mobilizing private capital investments with government collaboration and support in much needed infrastructure gaps. As fiscal complexities continue to build up, the risks of infrastructure investment can be mitigated with ample and in turn, relatively cheap administrative and regulatory streamlining across our borders. Some regional harmonization to expedite trade and reduce costs associated might also be due. This harmonization could play a supporting and substantial role in infrastructure modernization and risk-adjustment for investors and the public sector.

## What can be done in the future?

In this context, cross-border intergovernmental projects emerge as alternatives for long-term planning and viable budget processes, addressing competing domestic priorities that often hinder the integration of financial and international coordination efforts. Such initiatives could greatly benefit the production chains of the North American bloc. A [North American Trade Infrastructure Bank](#), the likes of the North American Development Bank (NADBank) has been proposed as a tripartite mechanism to channel funding for common border projects and programs. Developments of this nature are still pending on the upcoming agreement and USMCA revision by the trading partners. Prospects such as this mechanism could boost the ability for the three governments to institutionally maneuver and provide financing to rise to the occasion and meet the expectations of nearshoring and global competitiveness.

## How to make your cross-border operations more efficient today?

Intermodal transportation is a secure and efficient logistics solution for businesses that goes beyond moving goods from point A to point B. It's an efficient model with multiple benefits including time saving, added security, a sustainable approach, and a premier alternative for non-users in extraordinary cases.

In 2023, Schneider [announced a partnership](#) with CPKC (Canadian Pacific Kansas City) offering customers a new intermodal freight service that seamlessly integrates an innovative shipping experience from trucks to the largest railroad network in North America.

This model offers a significant advantage, since the shipments are pre-cleared prior to departure allowing for a seamless transition at the border without the need for delays in clearance. This process serves as a valuable time-saver.

Schneider holds a high-standard on security, meaning [99.99% of loads are theft-free](#). From a truckload perspective, the company and its carriers are C-TPAT certified (Customs Trade Partnership Against Terrorism) and have access to the FAST lane, ensuring that shipments move faster at the border. This [multi-layered security process](#) is maintained in the intermodal solution, offering C-TPAT certification digital and in-person inspections, and risk-based security management approach to the operations in the railroads.

Likewise, Schneider's eco-friendly practices and capacities, including optimized routes and processes to reduce the carbon footprint of trucks, are now increased with the use of trains, the most energy-efficient way of moving freight over land. Intermodal transportation helps companies reach their sustainability goals.

Extraordinary circumstances can happen at any given time, therefore Schneider always recommends a multimodal transportation strategy for cross-border freight. Intermodal transportation as part of that multimodal strategy provides an alternative for companies whenever a major natural disaster (hurricanes, floodings, etc.) or interruptions (strikes, demonstrations) affect the everyday operation of maritime ports.

## Conclusion

Intermodal transportation presents a robust and innovative logistics solution for businesses seeking efficiency, cost-effectiveness, and enhanced security. With Schneider leading the way in connectivity and service quality, companies can confidently choose intermodal shipping as part of a multimodal strategy for their freight logistics needs.