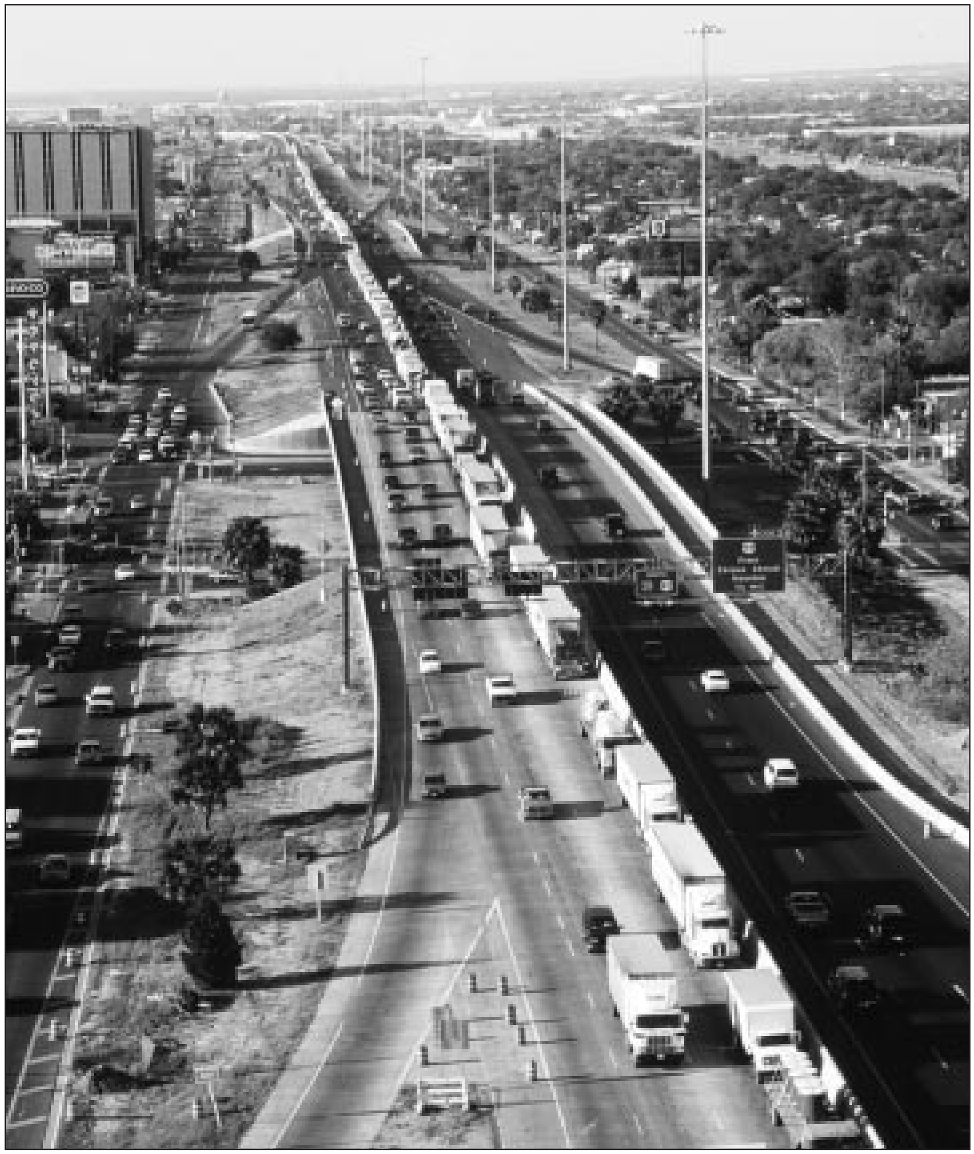
Border Bottlenecks Hamper Trade

PAST ISSUES OF *Southwest Economy* have highlighted the positive impacts of free trade and the long-term potential benefits of the North American Free Trade Agreement (NAFTA). But free trade that exists only in theory helps no one. In reality many roadblocks other than tariffs can hamper the flow of goods and services across borders. For example, physical and structural problems at the Texas–Mexican border can impede the flow of goods and thus reduce the benefits of NAFTA.



Michael Short

Laredo is the busiest land port along the U.S.–Mexican border, representing 37 percent of the value of all traded goods shipped by land in 1997 and about one-third of total U.S.–Mexican trade. Last year $50.5 billion in goods flowed north and south through the Laredo area, a 71 percent increase since 1994. Most of the goods were carried by 2.2 million trucks crossing on the Lincoln-Juarez Bridge in downtown Laredo and the Solidarity Bridge 20 miles to the north. While trade flow has boomed in this border port, so has congestion. Trucks lined up for miles heading both north and south are a common sight at the Lincoln-Juarez Bridge.

While rapid growth is partly responsible for the bottleneck, another cause is that Mexican customs agents preclear all truck cargo before it crosses into Mexico. U.S. long-haul carriers drop their cargo in Laredo, where Mexican customs brokers inspect the cargo, collect duties and arrange for other trucks to transport the load across the bridge. These trucks then return to the U.S. side, usually empty. Similarly, Mexican carriers usually deliver their cargo to Mexican customs on the Mexican side of the border. Another truck carries the load across to Laredo and then returns, often empty. As a result of this system, about 44 percent of the tractors crossing the bridge in 1997 had no trailer or an empty one. Reducing the number of empty trucks would have a significant impact on border congestion.

Under NAFTA both north- and southbound trucks should have been able to drive into border states beginning in December 1995 and throughout both countries by the year 2000. President Clinton, however, responding to perceived safety issues, delayed this provision indefinitely. Implementing the provision would pressure Mexican customs brokers to stop inspecting U.S. cargo on the U.S. side of the border because many major U.S. manufacturers likely would seek direct shipment into important industrial areas such as Monterrey. Researchers at Texas A&M International University (TAMIU) in Laredo estimate that in 1995 the big three U.S. automakers spent $2.8 million more shipping products southbound through Laredo than they would have if the NAFTA provision had taken hold and precertification of goods was no longer required.[1]

Restrictive operating hours and bad

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roads also cause delays at the border. U.S. customs is open from 8 a.m. to midnight, while Mexican customs is open from 9 a.m. to 11 p.m. The agency that inspects agricultural products going into Mexico—Secretaría de Agricultura, Ganadería y Desarrollo Rural (SAGAR)—opens at 10 a.m. and closes at 5 p.m. Trucks carrying agricultural products into Mexico must first go through SAGAR inspection and then get in line to go through Mexican customs. Round-the-clock customs operations by all agencies would reduce congestion in downtown Laredo and increase bridge capacity. Bridge crossing fees could be structured to encourage use at off-peak times.

The state-of-the-art Solidarity Bridge was completed in 1991 but has just recently begun to relieve some of the truck congestion in Laredo and Nuevo Laredo. The bridge, however, continues to operate well below capacity. One reason is the poor condition of the connecting road in Mexico, which is only 8 feet wide and has no shoulders. On the U.S. side, the road connecting to Interstate 35 passes through busy residential areas. Improvements to roads on the Mexican side are in process, however, and a road connecting the bridge to a new Monterrey toll highway should be completed in a couple of years.

Enhanced drug enforcement activities have also added to the time and expense of border crossings. To increase traffic flow, U.S. Customs is looking toward technological and innovative resources. X-ray machines that can check an entire truckload for contraband in 20 minutes have been installed at four border ports, and four more machines are planned for installation in the next year.

Other types of technology have significant potential to reduce border congestion. The North American Trade Automation Prototype (NATAP), now in testing, would allow cargo at either the point of origin or an inland port to be electronically sealed, tracked and then transported straight across the border. Currently the system is installed at four test sites: Otay Mesa, California; Nogales, Arizona; El Paso and Laredo. For complete implementation of the plan, however, current laws and agreements need to be changed to allow trucks to cross freely into border states.

One proposed solution to the congestion is to build another bridge in Laredo. But before millions more are spent on a new bridge, the current infrastructure should be utilized to its fullest extent. Almost 5,000 trucks cross the two commercial bridges in the Laredo region daily. If the empty trucks were eliminated, the same amount of goods could be transported in only 2,750 trucks. This is about one-fourth the capacity of the Solidarity Bridge, according to James Giermanski of TAMIU. Giermanski projects that, based on the average growth rate of truck traffic over the past four years, it would take until the year 2020 to reach the capacity of the Solidarity Bridge if all loaded truck traffic in Laredo went solely across that bridge.

In recent months the line of trucks heading south through Laredo has extended back as far as 5 miles. The time spent waiting to cross the border represents direct costs to shippers and to taxpayers, who must pay for the roads. There are also indirect costs such as increased air pollution and the opportunity costs of the resources that are idled. Improved technology and better roads should relieve some of the bottleneck. While a new bridge would help considerably, reducing the number of empty trucks and extending operating hours are other potential solutions.

—Keith Phillips
Jay Campbell

Note

[1] See "The Effects of the Drayage Industry on Trans-U.S.–Mexico Truck Shipments through the Port of Laredo, Texas," unpublished paper by Henry C. Smith and James Giermanski.