

POLICY BRIEF

Nearshoring, Free Trade, and the Impact of Crime on Northbound Crossings along the U.S.-Mexico Border

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STATEMENT OF ISSUE

Mexico has become the United States' largest trading partner, and northbound truck crossings have increased significantly due to nearshoring and USMCA supply chain integration. However, crime, particularly cargo truck robberies, poses a growing threat to the efficiency and reliability of cross-border trade. While robbery rates have generally declined, their negative impact on truck crossings has intensified at the national and state levels, especially since the 2018 shift in Mexico's security policy under President López Obrador. This study examines how different levels of crime (municipal, state, national) affect commercial freight flows through U.S. ports of entry and evaluates whether criminal activity disrupts trade in ways that undermine the economic gains of nearshoring.

KEY FINDINGS

- In 2023, the U.S. and Mexico exchanged \$798.8 billion dollars in products, with about \$1.5 million worth of trade crosses the border every minute. This made Mexico the United States' largest trading partner in 2023, accounting for 15.7% of total U.S. trade.
- Mexico's National Institute of Statistics found 64% of Mexico's trade was carried out by land in 2020, highlighting the dominance of trucking routes in cross-border trade.
- Northbound truck crossings grew by 32.9% from 2015 to 2023, rising from 5.5 million crossings in 2015 to 7.36 million in 2023, reflecting nearshoring trends.
- Findings indicate a 17.3% real depreciation of the Mexican peso against the U.S. dollar, incentivizing Mexican exporting in the U.S.
- 68.9% of the trucks crossing northbound from Mexico to the U.S. go through Texas.
- Cargo truck robberies significantly reduce trade flows at the national and state levels, while municipal-level crime does not have a statistically significant effect.
- A 1% increase in truck robberies leads to a 0.767% decline in crossings nationally and a 0.598% decline at the state level.
- Along Texas POEs, both national and state robberies significantly reduce truck crossings, unlike in California, Arizona, and New Mexico, where only national-level crime matters.
- Following President López Obrador's 2018 shift to the 'Abrazos, no balazos' security policy, the impact of truck robberies on trade flows became stronger, especially at the national level, becoming statistically significant in 2020 and remaining statistically significant through the end of the study period.

POLICY RECOMMENDATIONS

- Cooperation from the U.S. and Mexico should continue to strengthen crime prevention efforts along the regions along POE's to ensure safer and more efficient trade flows.
- Prioritize federal and state-level coordination to target areas with high crime rates that directly impact trade logistics.