Analysis of Leveraging Laredo’s Strategic Location on Texas – Mexico Border: A Logistic Perspective

Balaji Janamanchi, Texas A&M International University

EXECUTIVE SUMMARY

Laredo port is the biggest land port in the United States. Laredo is very strategically positioned at the beginning of the I-35 NAFTA Corridor on the Texas-Mexico border. Laredo is also part of the Ports-to-Plains corridor connecting Mexican ports to plains across 9 states of the US. In view of the clear signals of economic recovery and increases in trade volume, it’s imperative for the local community to take some quick action to prepare for the impending economic growth. Failing which, the City of Laredo will run the risk of losing these invaluable opportunities to competitors offering alternate services like the smart ports and inland ports. While several short term options do exist to cope up with sudden surges in trade, a more lasting proactive solution is to increase the lanes on the World Trade Bridge and add more railroad bridges to facilitate handling increased volumes of trade, which would serve not only as a preventive but also a preemptive measure. Predictably, federal authorities approved and successfully opened seven more inspection lanes on the World Trade Bridge IV on May 6, 2011 (KVOA, 2011).

Keywords: Laredo land port, World Trade Bridge IV, NAFTA, Texas-Mexico trade

INTRODUCTION

Laredo’s Strategic location: Laredo, in Texas, is the biggest land port in the United States and is ranked fourth in overall trade behind New York, Detroit, and Los Angeles, as per the National Report of 2004 (LMT, 2007a). Much of Laredo’s success is owed to its strategic location on the Texas-Mexico border area and the trade liberalization under NAFTA signed into law in 1994. Laredo city is very strategically positioned at the beginning of NAFTA’s 1-35 Corridor on the Texas-Mexico border as may be seen in Figure 1 below. As such, a sizeable volume of NAFTA’s free trade between the US and Mexico (truck and rail transportation) passes through the Laredo port. “Laredo handles more commercial traffic than any other crossing point along the roughly 2,000-mile Mexico-U.S. border. The U.S. Department of Transportation says 60 percent of all truck traffic between Texas and Mexico passes through this city alone” (KVOA, 2011). In addition to that, trade on account of the maquiladora industrial services of assembly and other labor intensive processes across Texas-Mexico border region also add to this business volume at the Laredo port. Further, Laredo is also part of the Ports-to-Plains corridor connecting Mexican ports to plains across 9 states of the US. However, from time to time, commercial traffic passing through Laredo port has been experiencing inordinate delays creating a serious cause for concern.

As we know, Goldratt’s (1984) Theory of constraints (TOC), which is an extension of the Optimized Production Technology (OPT), suggests that when a critical internal resource proves to be the classic bottleneck in a sequence of operations, then keeping the bottleneck resource fully occupied and busy is imperative for optimal results. As such, it becomes imperative to keep the trade bridges in Laredo connecting to Mexico fully functional and operational. This study is aimed at improving the awareness about keeping trade bridge operations efficient to facilitate leveraging Laredo’s strategic logistic location for the benefit and welfare of the local community, as well as international trade. The rest of the paper is organized as follows. Section 2 briefly recounts historical traffic congestion and wait times at the World Trade Bridge over the past decade or so and the solutions developed from time to time. Section 3 discusses some impending signs of economic recovery to argue for implementing and justifying the implementation of the lane expansion project of the World Trade Bridge. Section 4 describes the drivers for lane expansion project at the World Trade Bridge on a proactive and preemptive footing. Section 5 briefly