

Economic Recession and Trade through Arizona-Sonora Border Ports of Entry

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As global economic conditions worsened around the world, trade patterns between the North American Trade partners – Canada, U.S. and Mexico -- had shown signs of change in both the freight volume and dollar value of commodities. This article examines the extent of changes that have occurred in trade patterns across the Arizona-Sonora border. The six twin border cities that serve as official border ports of entry (BPOE) - Nogales/Nogales, San Luis/San Luis Río Colorado, Douglas/Agua Prieta, Lukeville/Sonoyta, Naco/Naco and Sasabe/Sasabe - handle the bulk of Arizona's export-import activity with Mexico; the rest is shipped through other U.S-Mexico BPOE, as well as by air.

The Arizona-Sonora BPOE also serve as export-import points for goods to and from other U.S. and Mexican states. Therefore, the results of this analysis reflect not only the recession effects on Arizona's export-import trade with Mexico, but also changes in trade patterns of other states that utilize Arizona-Sonora BPOE.

In this article we focus on the effect of the recession on truck and rail freight shipments, because they represent the primary mode of transportation of goods between the U.S. and Mexico through land ports. We compare the level of activity in the 1st and 2nd quarter of 2009 (most recent data available) with the conditions seen in the same quarters a year ago, in 2008. The findings are compared with trends at other border ports of entry along the U.S.-Mexico border.

Southbound Shipments

Southbound freight shipments through the Arizona-Sonora BPOE include Arizona's exports to Mexico plus exports from other U.S. states and Canada. A total of \$1.54 billion worth of shipments passed through Arizona-Sonora BPOE in the 1st quarter of 2009 and another \$1.64 billion in the 2nd quarter (Figure 1). Compared to the same period in 2008, this was a decline of 14.4 percent in the 1st quarter and 13.9 percent decline in the 2nd quarter. By comparison, the value of southbound freight shipments through all U.S.-Mexico border crossings dropped 16.0 percent in the 1st quarter and 22.5 percent in the 2nd quarter. Thus, Arizona-Sonora BPOE experienced a relatively smaller decline than all U.S.-Mexico BPOE on average.

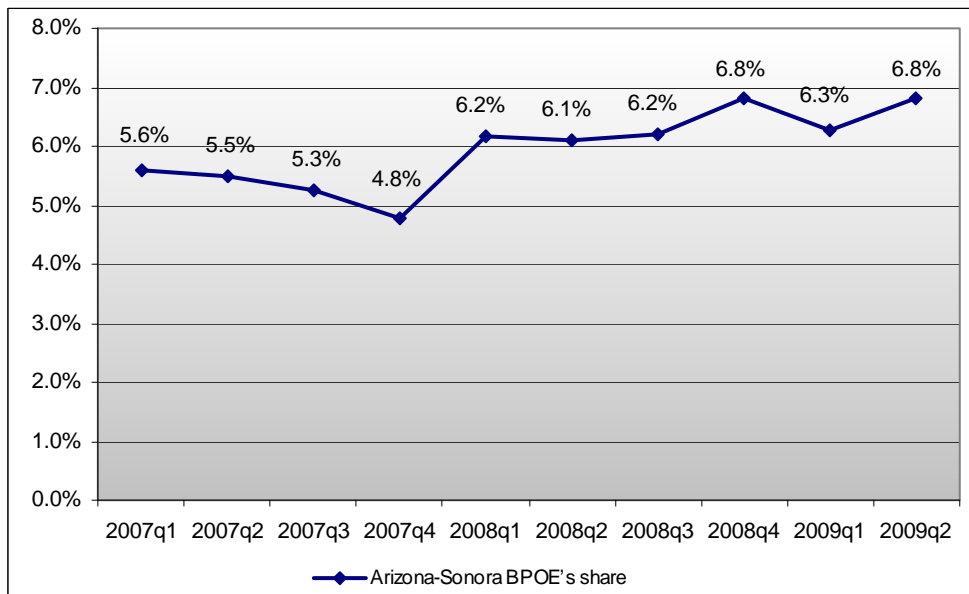
Figure 1. Southbound Freight Shipments through Arizona-Sonora BPOE (\$ billions)



Source: Research and Innovative Technology Administration (RITA), Bureau of Transportation Statistics

As a result of better performance than the average for all U.S.-Mexico BPOE, Arizona-Sonora BPOE's share of southbound commodity flow increased to 6.8 percent in the 2nd quarter of 2009 compared to 6.1 percent share a year ago, and 5.5 percent two years ago (Figure 2).

Figure 2. Arizona-Sonora BPOE's Share of Southbound Freight Shipments by Export Value (\$)



Source: Authors' calculation based on Research and Innovative Technology Administration (RITA), Bureau of Transportation Statistics

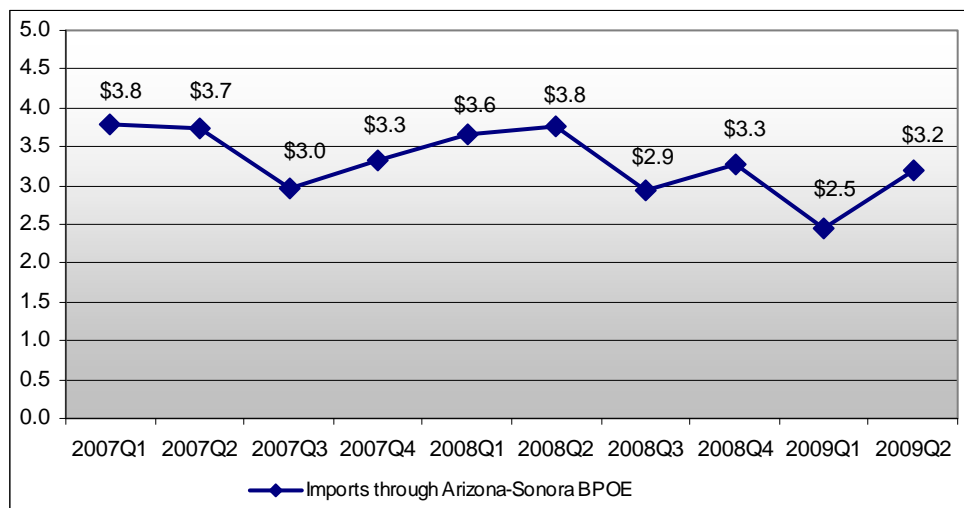
Northbound shipments

Northbound shipments include imports from Mexico to Arizona and other U.S. states, as well as shipments destined for Canada. Because a large portion of goods shipped northbound comes from maquiladora factories, where products were assembled or finished, the dollar value of northbound manufacturing shipments has traditionally exceeded the value of southbound shipments. This reflects the general pattern of trade through all U.S.-Mexico BPOE reflecting the “value added” in Mexico.

A special characteristic of the Arizona-Sonora BPOE is that they are also a major gateway for Mexican fresh produce shipped to U.S. and Canada. Shipments of fresh produce, which peak in winter months, contribute to a higher dollar value of northbound shipments. Over \$2.3 billion worth of fresh produce were processed through Arizona's ports of entry in 2008. This is more than 40 percent of fresh produce imported through all U.S.-Mexico ports of entry in 2008.

Northbound shipments passing through the Arizona-Sonora BPOE in the 1st quarter amounted to a total of \$2.5 billion with an added \$3.2 billion in the 2nd quarter (Figure 3). Compared with the same quarter in 2008, northbound freight shipments saw a decline of 32.6 percent in the 1st quarter 2009, but the decline of 15.5 percent in the 2nd quarter was less drastic, relatively speaking. In comparison, the value of northbound shipments through all U.S.-Mexico BPOE experienced a smaller over-the-year quarter drop of 23.7 percent in the 1st quarter, but a larger decline in the 2nd quarter compared to 2008.

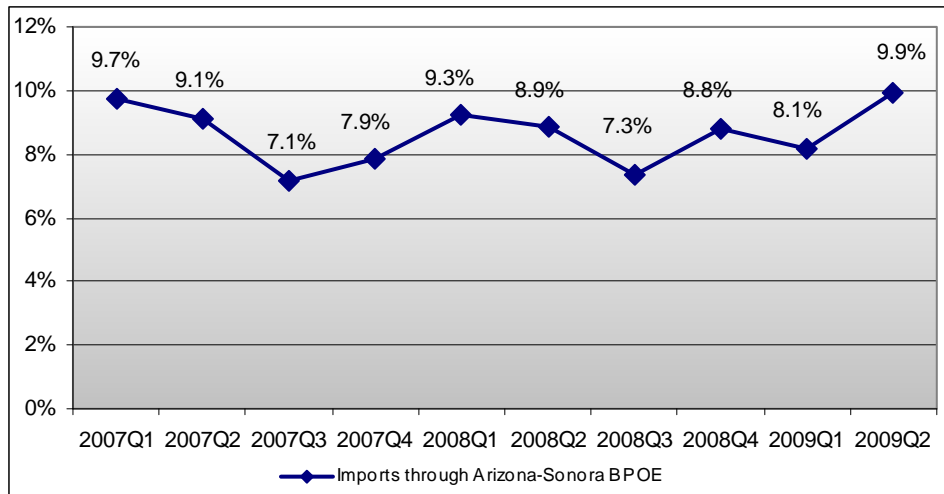
Figure 3. Northbound Freight Shipments through Arizona-Sonora BPOE (\$ billions)



Source: Research and Innovative Technology Administration (RITA), Bureau of Transportation Statistics

As a result of a larger decline than the average for all U.S.-Mexico BPOE in the 1st quarter, the share of Arizona-Sonora BPOE dropped from 9.3 percent in 2008 to 8.1 percent in 2009. However, as shipments continued to decline at a smaller rate in the 2nd quarter, the Arizona-Sonora BPOE share of all the U.S.-Mexico BPOE northbound shipments increased from 8.9 percent in 2008 to 9.9 percent in 2009 (Figure 4).

Figure 4. Arizona-Sonora BPOE's Share of Northbound Freight Shipments by Import Value (\$)



Source: Authors' calculation based on Research and Innovative Technology Administration (RITA), Bureau of Transportation Statistics

Conclusion

The analysis shows that (1) northbound shipments through Arizona-Sonora BPOE were more impacted by the recession than southbound shipments, suggesting that maquiladora sector in Sonora, a major source of imported manufacturing goods, was significantly impacted by the downturn in U.S. economy; (2) in comparison with the entire U.S.-Mexico border, Arizona-Sonora BPOE performed relatively better in the 2nd quarter 2009; and (3) strong exports of Mexico's fresh produce, for which the Arizona-Sonora BPOE are the main gateway, might have offset further decline experienced by other U.S.-Mexico BPOE.