

Impacts of Global Supply Chain Changes in the Post Pandemic Environment in Texas

Presented to:

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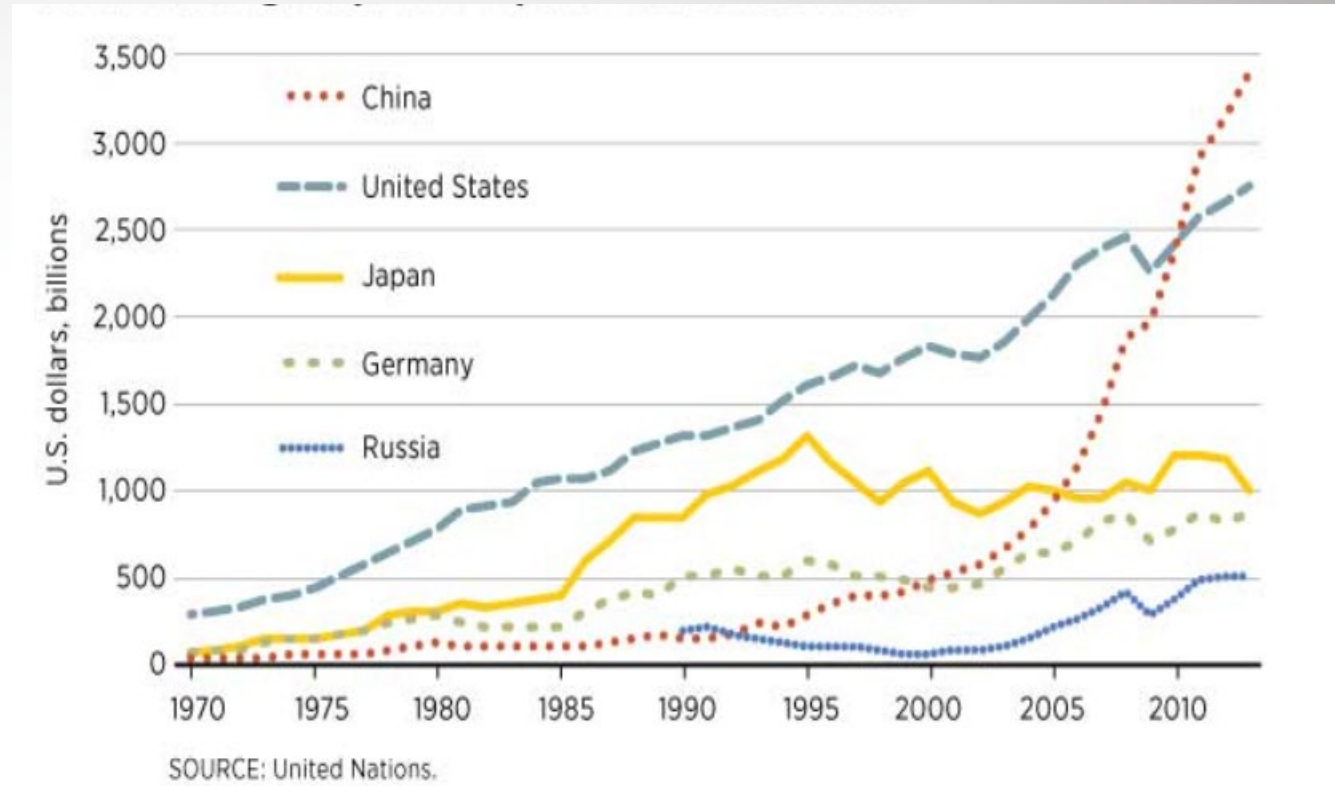
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Background

- COVID-19 showed domestic industry and economy vulnerability, due to dependency for intermediate and final products supply.
- To reduce negative impacts, new, closer and multiple supply alternatives are needed.
- Near-Shoring to Mexico to make supply chains more resilient is viable alternative.
- 75% of Mexico's exports to the US cross through Texas' land POEs.

U.S.-China Trade

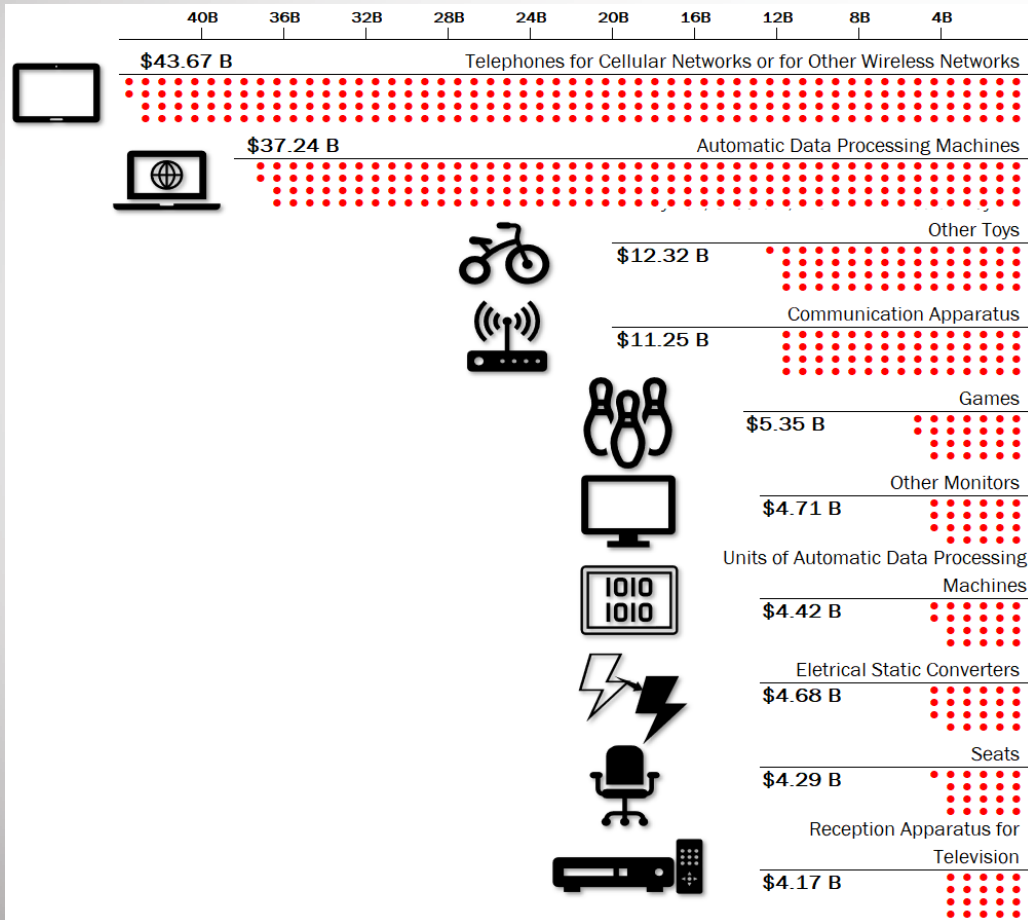
- Transportation system efficiency lowered shipping costs facilitated the increase in international trade.
- Some companies that manufacture goods with a high value relative to their size and shipping cost moved production to countries with lower labor, materials, and land costs than in the home country **off-shoring**.
- By 2010, China surpassed the United States as the Number 1 industrial powerhouse



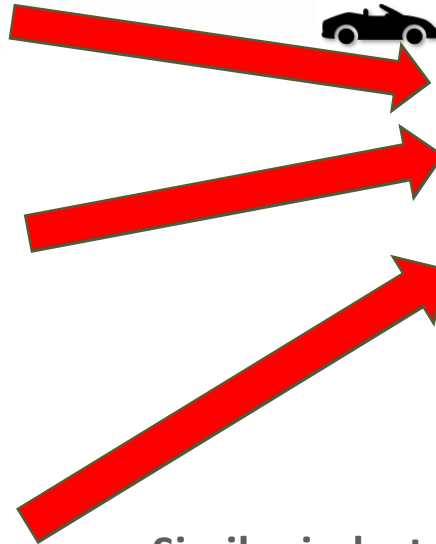
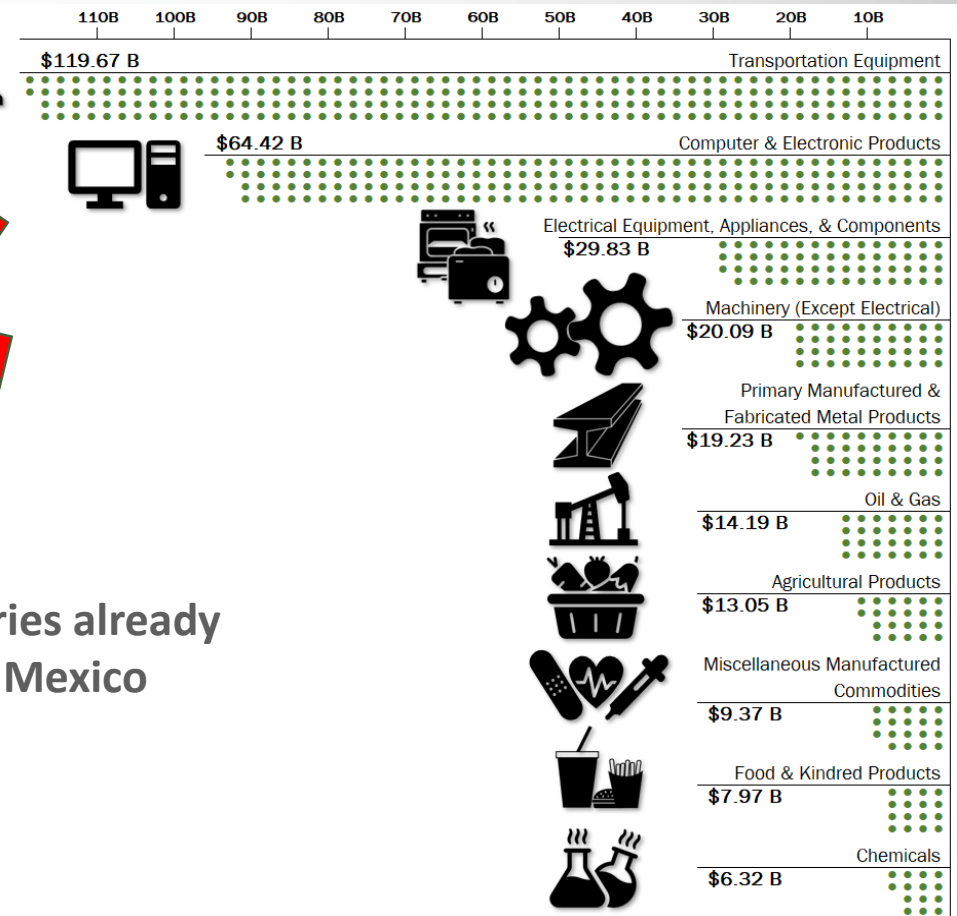
Manufacturing Output for Top Five Countries in 2013

Imports from China and Mexico

Imports from China



Imports from Mexico



Similar industries already established in Mexico

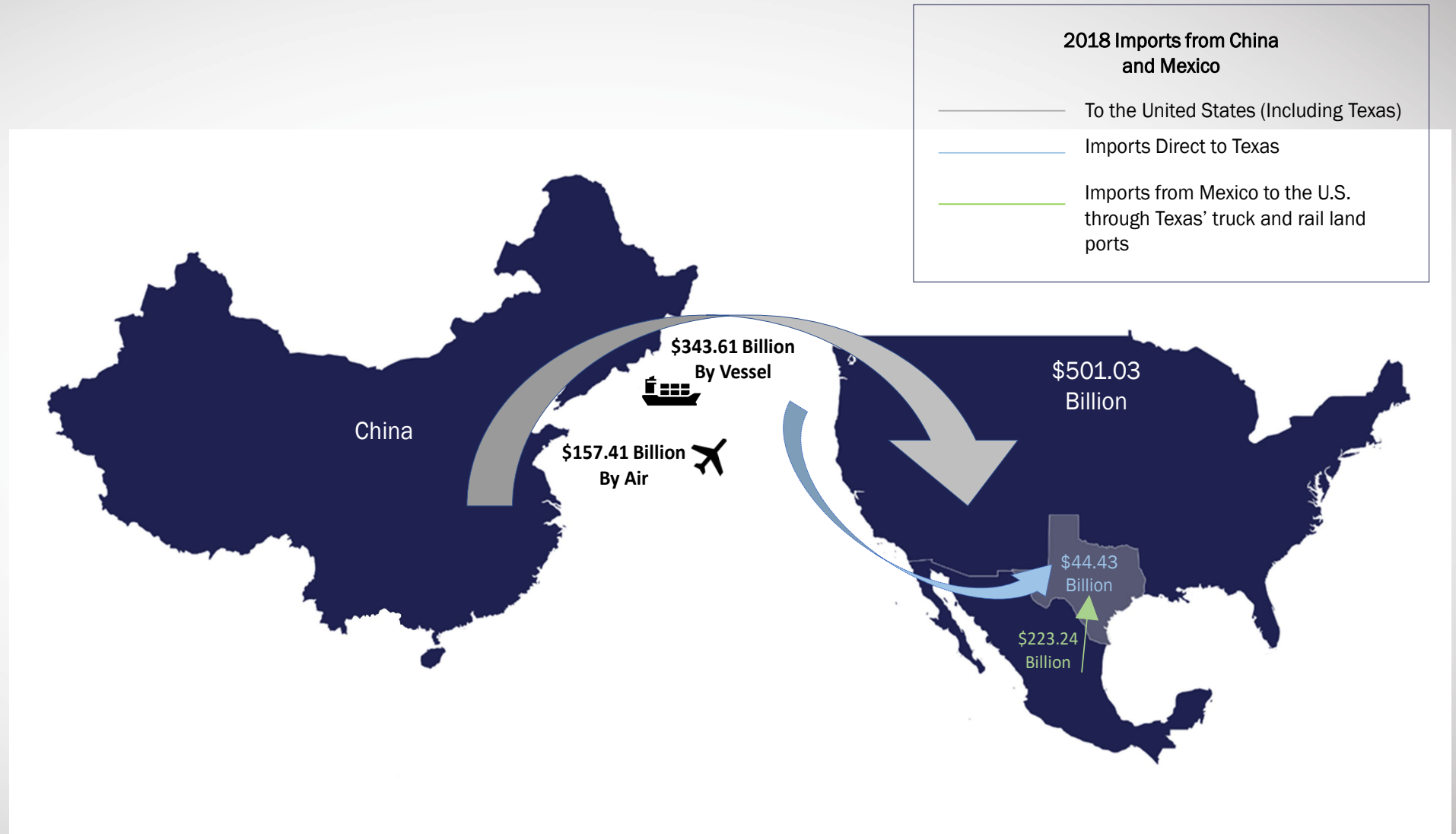
Potential Near-Shoring from Mexico

Why Mexico as a potential near-shoring destination

- Higher supply chain visibility
- Time and geographic proximity.
- Cultural similarities.
- Labor pool.
- Cost attractiveness.



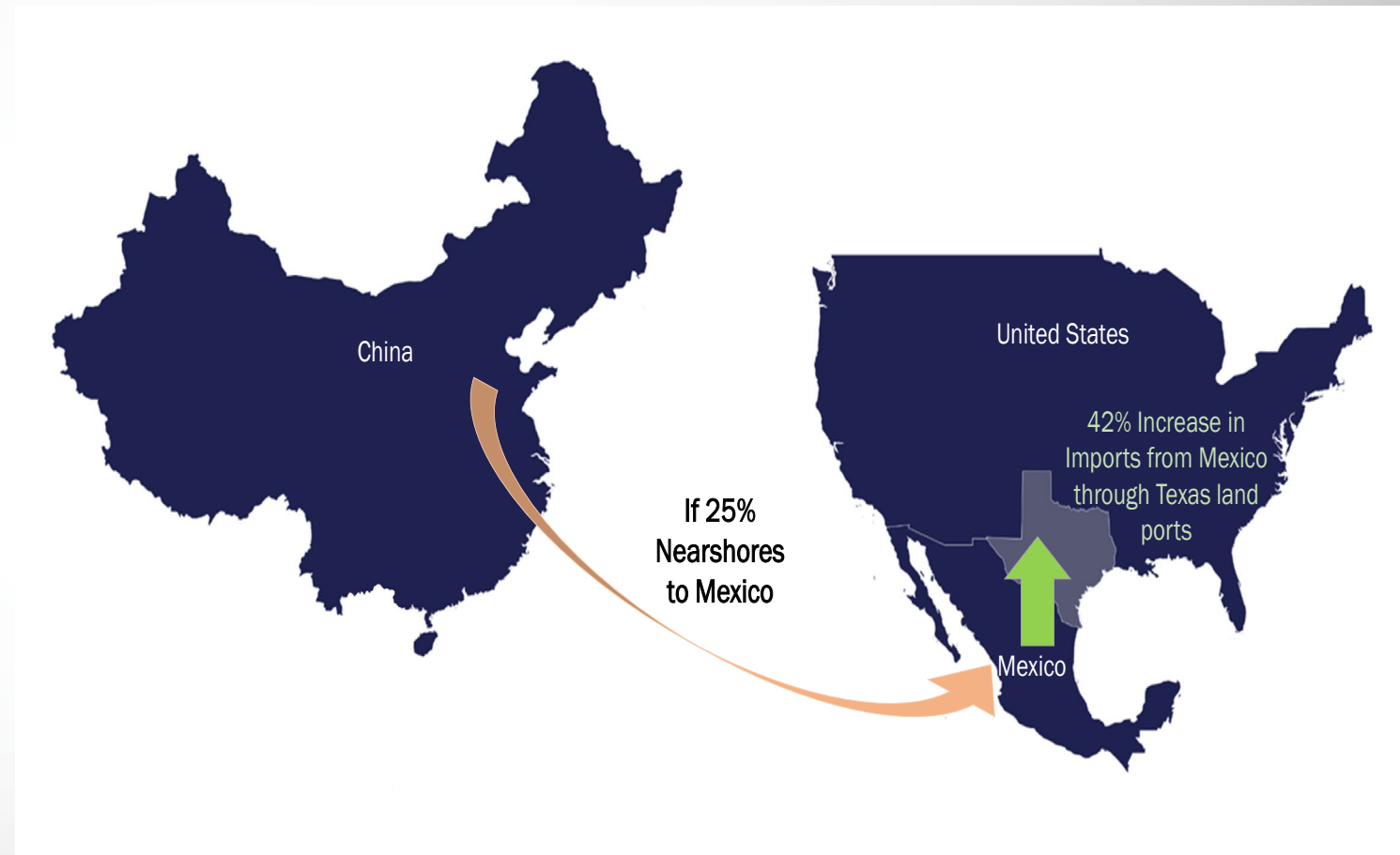
Trade with China – Volumes and Travel Times



Near-Shoring Scenarios

Truck and Rail trade at Texas' land POEs would increase on top of the expected growth from USMCA

% Diversion to Mexico	% change in Texas-Mexico Trade	
	Value	Weight
15%	25%	18%
20%	34%	24%
25%	42%	30%



Further Research

Some key questions

- Understanding the short, medium, and long term potential impacts of major economic industries by state
- How are industry going to use the transportation system differently in the future?
- People will work more from home and the adoption of new technologies will affect all modes of transportation. Auto industry impacts

Thanks you, questions?

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