



# THE RISE OF NEARSHORING TO MEXICO



A Boardroom Guide for U.S. Companies Who are  
Thinking of Making the Move

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# ABSTRACT

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The purpose of this document is to provide companies new to nearshoring or considering relocating operations to Mexico with a comprehensive, high-level overview and practical insights. Structured as a straightforward guide, this document offers real-world information on the benefits, challenges, and best practices associated with nearshoring.

It is designed to be a valuable resource for decision-makers, helping them understand the strategic advantages and logistical considerations of moving operations to Mexico. By sharing this document, stakeholders can gain a clearer perspective and make informed choices about nearshoring opportunities.

# INTRODUCTION

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In an era of increasing globalization and technological advancement, companies are constantly seeking ways to optimize their operations and supply chains. One of the most significant trends reshaping global manufacturing and logistics today is nearshoring, which involves relocating business processes, particularly manufacturing, to nearby countries rather than distant overseas locations. This strategic shift offers several advantages, including reduced transportation costs, shorter lead times, improved communication, and enhanced supply chain resilience.

For US companies, Mexico has emerged as a prime nearshoring destination. Its geographic proximity, skilled labor force, and competitive cost structure make it an attractive alternative to traditional offshore locations in Asia. As businesses navigate this new landscape, understanding the benefits and intricacies of nearshoring becomes crucial for maintaining a competitive edge in the global market.



# A BRIEF HISTORY...

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This timeline outlines how Mexico has emerged as a strategic nearshoring location for US companies over the past few decades, driven by economic incentives, trade agreements, and evolving global supply chain dynamics.

## Early 1990s - NAFTA Era

- The concept of nearshoring to Mexico gained significant traction with the implementation of the North American Free Trade Agreement (NAFTA) in 1994.
- NAFTA facilitated tariff-free trade among the United States, Canada, and Mexico, encouraging US companies to explore Mexico as a manufacturing base due to its proximity and lower labor costs compared to domestic options.

## Late 1990s - 2000s

- Many US companies began to establish manufacturing operations in Mexico, particularly in industries such as automotive, electronics, aerospace, and consumer goods.
- Companies sought to leverage Mexico's competitive advantages, including a skilled labor force, lower wages compared to the US, and favorable geographic location for shipping products back to the US market.

## 2000s - 2010s

- As global supply chains evolved, Mexico continued to attract US companies looking to diversify their manufacturing bases away from Asia (primarily China) due to rising labor costs, logistical complexities, and geopolitical uncertainties.
- The Maquiladora program, which allows foreign companies to operate duty-free factories in Mexico for manufacturing goods for export, further incentivized nearshoring.

## 2020s - Now

- The United States-Mexico-Canada Agreement (USMCA) entered into force on July 1, 2020, replacing NAFTA. The agreement is a mutually beneficial win for North American workers, farmers, ranchers, and businesses.
- The USMCA creates a more level playing field for American workers, including improved rules of origin for cars, trucks, and other products, with added disciplines on currency manipulation.

## RECENT TRENDS

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- In recent years, technological advancements such as automation and digital connectivity have played a significant role in enhancing Mexico's attractiveness as a nearshoring destination.
- The COVID-19 pandemic highlighted the vulnerabilities of long and complex supply chains, leading several US companies to reassess their manufacturing strategies and prioritize resilience.

## CURRENT LANDSCAPE

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- Today, Mexico remains a key nearshoring destination for US companies seeking to balance cost-efficiency with proximity to the US market.
- Industries such as automotive, electronics, medical devices, and aerospace continue to dominate the manufacturing landscape of Mexico, supported by ongoing investments in infrastructure, logistics, and workforce development.



# MOTIVATIONS FOR NEAR-SHORING

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## Labor Cost & Operational Advantages

### Labor Cost Advantages

- **Wage Savings**

Labor costs in Mexico are generally lower compared to the United States, particularly for manufacturing and assembly jobs. This can significantly reduce overall production costs for US companies.

- **Productivity vs. Cost Balance**

Mexican workers often provide a favorable balance between productivity and labor costs. While wages are lower, productivity levels can be competitive due to a skilled and experienced labor force in key industries.

- **Flexible Labor Laws**

Mexico's labor laws are relatively flexible compared to some other countries, which can offer advantages in terms of labor management and operational efficiency for companies.

### Operational Advantages

- **Proximity to US Markets**

Near-shoring to Mexico allows companies to maintain close proximity to the US market. This reduces shipping times and costs associated with transporting goods from distant offshore locations, thereby enhancing supply chain responsiveness.

- **Reduced Inventory Costs**

Shorter lead times and faster delivery from Mexico to the US market can lead to reduced inventory carrying costs for companies, as they can maintain leaner inventory levels with more predictable supply chains.

- **Quality Control and Communication**

Proximity facilitates easier oversight of manufacturing processes and quality control measures. It also reduces language and cultural barriers, enhancing communication and collaboration between US companies and their Mexican operations.

# MOTIVATIONS FOR NEAR-SHORING: CONT'D

## Logistics Advantages

### Logistics Advantages

- **Lower Transportation Costs**

Mexico's geographic proximity to the US reduces transportation costs compared to sourcing from Asia or Europe. This includes savings on shipping, customs duties, and other logistical expenses.

- **Supply Chain Resilience**

Near-shoring to Mexico enhances supply chain resilience by reducing dependence on distant suppliers and minimizing risks associated with geopolitical tensions, natural disasters, or global disruptions (like the COVID-19 pandemic).

- **Infrastructure and Connectivity**

Mexico has invested significantly in its infrastructure, including transportation networks (roads, railways, ports), industrial parks, and telecommunications. This infrastructure supports efficient logistics operations for manufacturing and distribution.



# MOTIVATIONS FOR NEAR-SHORING: CONT'D

## Economic, Operational, Environmental, & Social Implications

### Economic Impact

Overall, the economic impact of nearshoring is generally positive for both the company and the receiving country, offering a balance between cost efficiency, operational control, and market responsiveness. However, the exact benefits will vary depending on factors such as the specific industries involved, the countries engaged in the nearshoring arrangement, and broader economic conditions.

### Operational Considerations

Mexico has developed positive operational support for US based companies. Infrastructure readiness in Mexico, including industrial parks, transportation, and utilities, collectively make the country a "plug and play" destination for U.S. companies.

### Environmental & Social Implications

- **Renewable Energy Development**

Mexico has made significant strides in renewable energy, particularly in wind and solar power. This transition reduces reliance on fossil fuels, decreasing carbon emissions and air pollution.

- **Urban Sustainability**

Cities like Mexico City have implemented programs to improve air quality and reduce congestion through public transport expansion and bike-sharing initiatives.

- **Social Programs**

Efforts to improve education and healthcare access have contributed to social development, empowering communities and reducing poverty.

- **Environmental Education**

Increased awareness through education programs has fostered a culture of environmental responsibility among citizens.



# NEAR-SHORING SUCCESS STORIES

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## Case Studies & Examples

There are many notable success stories of US companies that have implemented nearshoring strategies to Mexico. Spanning various industries, these companies have leveraged the advantages and added efficiency of nearshoring to take their operations to new heights.

### 1. Ford Motor Company

*Industry:* Automotive

Ford has long been involved in manufacturing operations in Mexico. In recent years, they have expanded their presence with new investments in plants in cities like Hermosillo and Cuautitlán. These facilities produce popular vehicles like the Ford Fusion and Ford Mustang. Ford has benefited from Mexico's skilled labor force, competitive labor costs, and strategic location for exporting vehicles to the US market.

### 2. Honeywell International Inc.

*Industry:* Aerospace and Defense

Honeywell has established significant manufacturing operations in Mexico, particularly in the aerospace sector. They produce avionics, engines, and other aerospace components in facilities located in cities such as Mexicali and Chihuahua. Mexico's proximity to the US, coupled with skilled labor availability and favorable operating costs, has supported Honeywell's growth and efficiency in this sector.

### 3. Whirlpool Corporation

*Industry:* Appliances

Whirlpool has utilized Mexico as a key manufacturing hub for producing a range of home appliances. They have multiple plants across Mexico, including in cities like Monterrey and Celaya, where they manufacture refrigerators, washing machines, and other appliances. The proximity to the US market allows Whirlpool to streamline supply chain operations, reduce transportation costs, and respond quickly to market demand fluctuations.

### 4. General Electric (GE)

*Industry:* Electronics and Healthcare

GE has established manufacturing facilities in Mexico for various product lines, including medical equipment and electrical components. The country's skilled workforce and competitive operating costs have supported GE in maintaining high manufacturing standards while optimizing production efficiencies. These facilities contribute to GE's global supply chain strategy, enhancing responsiveness to customer needs in North America and beyond.

# INDUSTRIAL PARKS

Industrial parks in Mexico are as sophisticated and well-equipped as those in the United States, with the added benefit of better security. These facilities are fully developed and operational, eliminating the need for new construction and allowing businesses to quickly and efficiently set up their operations.

Audi Mexico in Puebla



GE Facility in Queratero



Vesta Park in Puebla



Roca Fuerte in Guaymas



Parque Industrial Tecnológico II in Guadalajara



WTC Industrial Park in San Luis Potosi



# CROSS-BORDER TRANSPORTATION

## Customs Brokers for Cross-Border

### Using a Customs Broker in Mexico Cross-Border Shipping

Before you get your shipment ready and choose your cross-border freight provider, you will want set up your customs broker.

Keep in mind that it may take up to several weeks to get set up with a customs broker, so plan well in advance if you don't already have one lined up. They will require a power of attorney and depending how the duties are paid you may need an US import bond. These folks know what they are doing and they will work specifically with your company to get you compliant.



# CROSS-BORDER TRANSPORTATION: CONT'D

## Documentation

### Documents are Everything

There is a lot of detailed documentation and information required and getting it wrong can result in your freight getting held up at the border. The overview below details the most common things you'll need

#### 1. Bill of Lading (BOL)

In Mexico, the BOL is called a "Carta Porte". Since 2022, all goods transported in Mexico must be accompanied by a (complemento carta porte) document or complement to the bill of lading. This document requires the following information:

- Goods that will be moved throughout the Mexican territory.
- Shipper and receiver identification and location.
- Mode of transportation.
- Driver identification for over-the-road shipments

#### 2. Commercial Invoice

This document will assist the importer in clearing the goods with customs. The information on this form must match the information on the Bill of Lading, or your shipment will be held up at the border.

#### 3. Carrier Information

The customs broker will need the codes that identify the carriers transporting the freight on each side of the border. In the U.S. this code is the Standard Alpha Carrier Code (SCAC). In Mexico it's the Carrier's Harmonized Alphanumeric Code (CAAT for its acronym in Spanish).

#### 4. Certificate of Origin

Under NAFTA, the U.S, Canada and Mexico required a uniform Certificate of Origin to prove that imported goods qualified for preferential tariff treatment. Under the USMCA, proof of origin is still needed, but the information does not have to follow a prescribed format.

#### 5. Document of Operations for Customs Clearance (DODA)

The Mexican government is moving to streamline trade by introducing more digital workstreams. The DODA (acronym in Spanish) is generated by the customs broker on behalf of the carrier in the Mexican Tax Administration Service website. The carrier will need it to clear customs.

#### 6. U.S. Customs Declaration

Carriers are required to submit an automated cargo manifest (e-Manifest) to U.S. Customs and Border Protection prior to a truck's arrival at a U.S. border crossing.

# CROSS-BORDER TRANSPORTATION: CONT'D

## Cross-Border Freight Providers

### Choosing a Mexico Cross-Border Freight Provider

Once you have your customs broker set up, you'll need to decide on what provider is going to help you move your freight. Tranco Global is a full service provider with an in-house customs clearing department.

Similar to the domestic U.S. market, you have two basic carrier options:

- **Asset-Based Carrier**
- **Third-Party Logistics Provider** (aka a 3PL, broker, or freight forwarder)

*When you ship freight from Mexico to the U.S. or vice versa, there are going to be multiple drivers in most scenarios, even for through-trailer service.*

### Choosing a Service: Through Trailer vs. Transloading

Your company may choose to transport shipments over the border in one of two ways:

- **Transloading**  
Freight is transferred from one trailer to another at a secured facility near the border.
- **Through-Trailer**  
Freight stays in the same trailer throughout the entire cross-border shipping process.

The service provider you select will work with you to find the best match for your needs. The process can be intimidating to those outside the logistics industry, but luckily there are professionals available who handle these shipments every day, and will walk you through it from start to finish.



# NORTHBOUND VS. SOUTHBOUND

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## 3 Key Differences When Shipping North or South

The process of shipping into Mexico across the border is similar to shipping from Mexico to the U.S., but there are three key differences between moving freight North and South.

### **Southbound shipments are dropped at the customs broker.**

- When shipping southbound, the U.S. carrier will drop the trailer at the custom broker's facility on the American side of the border.
- At the facility, a Mexican customs official will conduct a physical inspection of the freight prior to crossing, breaking the seal and putting on a new one.
- This is true whether you are shipping through-trailer or transloading

### **Northbound shipments will usually drop at the carrier's yard.**

- Mexican truck drivers do not generally have visas to enter the U.S.
- There is almost always going to be a separate crossing driver that takes your trailer across the border.

### **If you are transloading, the transfer will likely happen at the customs broker's facility.**

- The customs broker facilitates the physical inspection, and also has facilities with cross-docking capability. In some instances, however, the transfer will take place at a transload facility prior to going to the customs broker.



# CROSS BORDER GUIDE

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## 1. Set up your customs broker.

Allow two weeks to get set up with a broker. It also a good idea to provide examples of your paperwork (BOL, commercial invoice, etc.).

## 2. Decide on your service option.

Through-Trailer or Transloading.

## 3. Decide on your freight provider.

Choose what's right for your business. A scaled 3PL like Tranco Global can give you lots of expertise and flexible capacity options.

## 4. Have an on-boarding call with all parties.

If it's the first time you are all working together, get the shipper, the customs broker and the carrier on a call. You are a team, and you all need to work together.

## 5. Get all your paperwork together.

You will need at least a BOL and a commercial invoice. You may need more documentation; your customs broker can help guide you. Work with the facility in Mexico several days ahead of time.

## 6. Ship your freight.

The driver gets loaded and heads for the border.

## 7. File the documents with customs broker.

The shipper will need to provide any final documentation (trailer number, etc.). Typically, the shipper sends to the customs broker with the customer and carrier cc'd.

## 8. The customs broker will clear your shipment with customs.

Your Mexico customs broker will start to clear with Mexico customs and will communicate with their U.S. counterpart to clear with U.S. Customs & Border Patrol. This typically takes from half a day to a full day, assuming all the paperwork is in order.

## 9. Carrier dispatches a crossing driver.

Once the shipment clears, the customs broker notifies the carrier, who dispatches a driver. The customs broker makes sure the driver has the DODA and e-manifest.

## 10. Shipment crosses the border.

Depending on traffic, this will typically take 2-5 hours. However, if there are inspections ongoing or other disruptions at the border, this process can be much longer. The driver will present the paperwork and the trailer will run through a scanner. There usually is not any further inspection sometimes drivers are pulled into checkpoints for further examination

## 11. Transloading facility cross-docks the freight.

The crossing driver takes the trailer over the border and drops it at the transloading facility. The U.S. carrier arrives at the transload facility, and freight is cross-docked to their trailer.

# CROSS BORDER GUIDE: CONT'D



## Common Mistakes in Cross-Border Shipping

Avoiding common mistakes in the shipping process is crucial to ensuring a smooth and timely delivery. These mistakes are easy enough to avoid, but if you skip over them, your shipment will likely get stuck at the border, resulting in delays and additional fees. Here are some key points to keep in mind

### **Waiting Too Long to Establish a Customs Broker**

Delaying the appointment of a broker can cause unnecessary hold-ups. Establishing a relationship with a reliable customs broker early in the shipping process is essential to avoid these delays.

### **Mismatched Information on the Commercial Invoice and Bill of Lading.**

Consistency is crucial when it comes to documentation. Any discrepancies between the commercial invoice and the BOL can raise red flags for customs officials, leading to your shipment being detained. Double-checking that all documents have matching information can prevent these issues.

### **Shipping Before Being in Total Alignment With your Customs Broker.**

Clear communication is vital. Shipping without full coordination leads to misunderstandings and mistakes, resulting in border delays. Ensure that you and your broker are on the same page regarding all aspects of the shipment.

### **Not Confirming After-Hours Contact Information.**

Problems can arise at any time, and having after-hours contact information for key personnel can be a lifesaver. Confirming and sharing after-hours contact details can help address any unexpected problems promptly.

### **Underestimating Transit Time**

Shipping internationally involves various factors that can affect transit time. Misjudging these factors can lead to missed deadlines and additional costs. Properly estimating transit times, considering potential delays, and planning accordingly can help avoid these pitfalls.



# TRANSPORTATION INSURANCE

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## Transportation Insurance Regulated Differently in Mexico

Shipments traveling through Mexico are not insured at their commercial value. When you ship cargo such as air fryers or auto parts for example, they will not be covered for their full commercial worth. Despite advancements in routing, tracking, and supply chain management, cargo insurance in Mexico has not advanced along with them. Shipments are subject to Mexican statutory limits, typically under \$0.20 per pound of cargo. Consequently, a \$100,000 load of cargo would yield an insurance payout of only approximately \$10,000.

**Despite this, there are borderless solutions that allow shippers to insure cargo.**

Your Logistics provider should have what's called Shippers Interest Insurance. They can provide a stand-alone policy for the shipment while it travels. This is not GAP insurance but a totally separate policy just for your shipment.

This is the perfect way to get your single shipment protected from exposure. Tranco Global has shipper interest insurance for its customers. Providers also have a long-term solution when customers are shipping in quantity.

Please keep in mind that some insurers require numerous caveats when shipping into Mexico. These are things like escorts and team drivers. All of these caveats could make the transportation cost prohibitive. Tranco Global's policies do not require that.



## FUTURE TRENDS AND PREDICTIONS

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Overall, the forecast for more US companies nearshoring to Mexico is positive, driven by cost efficiencies, trade agreements, supply chain resilience considerations, technological advancements, and a skilled labor force. These factors collectively position Mexico as a strategic nearshoring hub for North American companies looking to optimize their manufacturing and supply chain operations.

## CONCLUSION

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Near-shoring to Mexico offers compelling cost considerations across labor, operations, and logistics, making it an attractive option for US companies looking to optimize their manufacturing strategies. By leveraging lower labor costs, proximity to US markets, and improved logistical efficiencies, companies can achieve cost savings, operational flexibility, and enhanced supply chain resilience. These factors collectively contribute to Mexico's growing role as a preferred nearshoring destination for various industries.

There is no reason to avoid preparing for a shift to Mexico to nearshore your operations. To remain profitable and competitive in the global market, companies must adapt to the paradigm shift created by trade restrictions between China and the United States.

Tranco Global has the means, talent, and expertise to give your firm a competitive edge and align your company for success. For the next step in your nearshoring journey, reach out to us and we'll provide supply chain solutions specifically tailored to your needs.



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As a full-service international freight forwarder with offices in Los Angeles, Chicago, Seattle, Atlanta, and Chattanooga, the Tranco Global team is committed to providing logistics solutions that meet your unique needs.

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