California moves to open port at Mexican border to ease auto supply imports

Recent global events have underscored weaknesses in American capacity that a new border port aims to assist.

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Companies like Ford, Nissan and Toyota have long been mainstays of the Mexican automotive industry and new investment keeps rolling in.Justin Sullivan/Getty Images

Plans by the California State Transportation Agency to build a new port on the state's border with Mexico could help ease U.S. dependence on Asian suppliers for key materials used by auto manufacturers.

Transportation facilities leading to the future Otay Mesa East Port of Entry on California’s border kicked off construction this week that aims to ease congestion by 50 percent in the busiest commercial vehicle crossing in California and Mexico upon its opening in 2024.

The state transportation department angled, in part, to take advantage of Mexico's mineral resources like copper, silver, fluoride and especially lithium.

"Part of what we're seeing here is a strategy of nearshoring," said Mario Orso, Chief Deputy District Director at the California Transportation Department who helped conceptualize the port's function. "In trying to reduce the dependency on long hauls, the production lines in North America are starting to consolidate."

In 2019, 90 percent of trade between California and Mexico was conducted through road delivery. More than 35 percent of that figure comes from passage between the Otay Mesa in Tijuana Mexico, and Calexico East, in Imperial County. Automobiles and technologies critical to the industry comprise a substantial portion of the products traded, but they also include produce, medical equipment and aerospace parts.

With the new Otay Mesa East Port of Entry set to complement existing infrastructure, trade across the board is expected to rise.

While Mexico remains the number one foreign supplier of automobiles and auto parts to the U.S., China's dominance of the rare minerals market and Asia's semiconductors have positioned both as critical contributors to America's automotive industry. At the same time, global events like Covid-19 and the Russian invasion of Ukraine have sent shock waves across the supply chain for a range of industries, touching off price changes ultimately kicked down to the consumer.

"There are geopolitical concerns with China right now, and that will probably persist for the foreseeable future. That makes manufacturing much more risky," said Ray Major, Chief Economist at San Diego Association of Governments, a regional transportation non-profit. "The auto industry has this amazing window of opportunity with the opening of this border port, and it's coming at a time when manufacturing is also realizing it needs to reinvent its geography."

Companies like Ford, Nissan and Toyota have long been mainstays of the Mexican automotive industry and new investment keeps rolling in. A Tesla plant based out of

Austin, Texas received its own exclusive lane at the border crossing in Laredo, located on the Mexican side of the Colombia Solidarity Border Crossing in July as the company angled to boost manufacturing for its six suppliers located in Nuevo León, Mexico. General Motors, whose brands include Buick, Cadillac, Chevrolet and GMC, recently began work with Controlled Thermal Resources in the Imperial Valley, a Mexico-based chemical processing plant that specializes in rare minerals like lithium.

Eduardo Acosta, vice president of R.L. Jones, a logistical service that works primarily in the Southern Border region, says that it's part of a trend. “A lot of the interest in raw material sourcing from Asia is shifting to North America, primarily Mexico, and people are realizing the finished product and its components can be just as developed as if we nearshore.”

Analysts and geological experts, however, say that regardless of industry gains, the North American bloc is staring down a decades-long path until the region is able to reach self-sufficiency for commodities like semiconductors or critical minerals used in automotive manufacturing.

Tristan Childress, a geological analyst based in Texas, said that the sprawling automotive supply chain doesn’t care about practicality or political borders, and said recent efforts to strengthen supply chain links “would have been great about 30 years ago, because that’s how long it will take to get the industry back.”

Gustavo de la Fuente, who works in transportation and logistics at Smart Border Coalition, echoed the concern and highlighted an inevitable balancing act for industry that stands to benefit from Mexico’s lithium supply, a critical component in electric vehicle manufacturing, while still relying on Asia's seemingly endless commodity supply.

“To really raise American capacity, lithium on the Mexican side of the border is a strong starting place, but we don’t place to start, but as more auto companies go electric, nearshoring still carries risk,” he said.

Still, the port is a boon to production, notwithstanding more ambitious gains down the pike. Steve Newman, a sales representative at a Toyota dealership based near the Mexican-American border in Southern California, said supply chain kinks have complicated orders and passed rising prices down to the customer, as a substantial portion of manufacturing takes place overseas.

“All 4Runners are built in Japan,” said Newman, pointing to the SUV modelthat was placed for global distribution in 1984. “Toyota will charge you a delivery fee based on manufacturing location, so from a logistical standpoint, it makes so much more sense to open up.”