

## Podcast Episode 3

**Olga Torres:** Thank you for joining the Torres Talks Trade podcast. My name is Olga Torres, and I'm the managing member of Torres Trade Law, a national security and international trade law firm. Today we have with us Adrian Gonzalez. He's the president of Global Alliance Solutions, a firm in McAllen, Texas that specializes in US and Mexico customs brokerage services, warehousing, and distribution, as well as consulting and compliance services in Mexico and the United States. Adrian, welcome.

**Adrian Gonzalez:** Hi Olga, how are you? Thank you for having me. It's a pleasure to be here.

**Olga Torres:** Thank you for being here. You are our third podcast. Can you believe that?

**Adrian Gonzalez:** Awesome, yes.

**Olga Torres:** And the best one yet.

**Adrian Gonzalez:** Oh, that's amazing. Thank you.

**Olga Torres:** Today, we're going to be chatting, it's really interesting. And having you, it's going to be really important to our listeners, I think, because of your strategic location. We're going to be chatting about the recent disruption in trade between Texas and Mexico as a result of the Texas governor basically implemented a policy that required the Department of Public Safety to inspect commercial vehicles coming from Mexico into Texas. And it affected three Mexican states. Well, yeah, three Mexican states. I think that's where they signed the Memorandum of Understanding with those three states in Mexico.

And so, we have a lot of questions for you from a boots-on-the-ground perspective. How are people reacting in Mexico and the US, and especially at the border? And, specifically, the whole point of this is what can companies do in the future? Should this happen again? What would be the best thing? How do they navigate it?

So that's going to be really critical to understand. But I guess we can start with, just tell us a little bit about your background, the work you do, your consulting services. Just give us more information.

**Adrian Gonzalez:** Sure, Olga. Thank you. Well, I started my career in Mexico. I worked for a Mexican exporter in the steel industry and then as years progressed, I decided to come back to the US. And I started working for a US customs broker and during that time my previous, that employer at the time gave me the challenge of becoming a US customs broker. And then I became a US customs broker and I really liked the profession. I had a passion for this, for trade, for service. I don't know why, but I like it. I think you'll agree with me. And then I worked for a multinational corporation as a trade compliance manager. And then, in September of 2020, right in the pandemic, I decided to start my own firm, my US customs brokerage firm.

**Olga Torres:** That must have been interesting to start in the midst of COVID; that's an entire different conversation, but that's interesting.

**Adrian Gonzalez:** Well, a lot of people, including myself, I guess we reviewed our life, right? Our objectives, what we wanted. And I said, well, it's now or never. And, of course, it was a hard time and still it's a hard time, but I think there's a lot of opportunity and a lot of things to do a lot of work and hopefully more so in the future. We just took the plunge, right? Just the leap of faith.

**Olga Torres:** Yeah, very good. So, tell us about specifically this, let's call it the, what should we call it? The border...

**Adrian Gonzalez:** Disrupt, the Abbott disruptions, or is it too political? Maybe.

**Olga Torres:** This disruption, I suppose, or the inspections that were conducted. What was the effect, what happened after? I'm assuming things are back to normal.

**Adrian Gonzalez:** Yes

**Olga Torres:** But it lasted for what, a week or so?

**Adrian Gonzalez:** A week, "the week of hell" as we remember it. Yeah, so, basically what happened is that there was this... and our colleagues and I, the US Customs Broker Association, and other colleagues in transportation, we were just talking about how, as an association don't want to get into politics.

**Olga Torres:** Right, right.

**Adrian Gonzalez:** But then we found ourselves in the middle of politics because this started and this was a political issue, a political disagreement

between the state of Texas and the federal government. That was the origin of issuing these, right?

**Olga Torres:** In the US, the Biden administration.

**Adrian Gonzalez:** Yes. So, what happened is that the Biden administration announced the end of [Title 42](#). Which then (Olga, you may know more about this), a judge stopped that. Right? But we, at that time, it was announced it would be going to end at the end of May, and there was, this was at the beginning of April, right? To ourselves in the timeline there and for...

**Olga Torres:** Yeah, and for people that may not know what Title 42 is because I, and I have to admit it, I'm a trade lawyer. I was like, "Title 42 doesn't ring any trade bells" or anything like that. Anyway, we looked it up it's a public emergency health order. It was aimed at preventing the spread of diseases in the United States. It was used a lot throughout COVID and I'm assuming that now it's not required because COVID appears to be more under control. I think that's why.

**Adrian Gonzalez:** Yeah, so that was implemented by the Trump administration and that enabled CBP to ask asylum seekers to go back to Mexico and follow their cases in Mexico. The reason was to prevent the spread of COVID 19. So, there's a huge immigration problem, right?

I'm not an expert in that, but we here at the border, we don't feel it in McAllen, and we don't have issues in the streets or anything of that sort. But as we cross into Reynosa, we see a lot of people there and there are a lot of issues, and so people are concerned about that. So, as the Biden administration announced that the end of the Title 42, the Governor, Abbott, announced that he was going to do enhanced inspections to address what the federal government was not addressing. Or so he stated.

We've heard of that and we, in the community, we were like, "Well, what is this going to be about?" Because even if that's a big issue and people have different opinions, we do know that in commercial shipments, there's no immigrants. I mean, the immigrants, they don't go in into the middle of avocados and lemons or in automotive parts to cross through to the US.

It doesn't happen. Right? I mean, at least it's not an issue. They cross through the Rio Grande, the river, and then they find the way to north of the country. And that, I mean, that's separate. We didn't want to get into the validation or not of that. I mean, we just wanted to do our work.

But then realized that he asked Texas DPS to do enhanced inspections. Before, they used to check 3% of the trucks coming in. Now that we're checking a 100% of the trucks, my gosh, 40 to 45 minutes per truck, Olga, so, as you can imagine that collapsed trade for a certain ports of entry only.

**Olga Torres:** And so, what all of the ports of entry basically in Texas, right? It impacted?

**Adrian Gonzalez:** Yes. Yes. But interestingly, and that was what we thought was so unfair is that depending on where the Texas DPS stations were, some ports of entries were affected and some weren't. For example, here DPS is right outside the import lab from CBP; it's the same line of trucks, it goes through the same path. When DPS started doing that, they stopped the whole line. Everything going all the way to Mexico. For the Pharr bridge, for example, for the Laredo Colombia, but for example, for the Laredo World Trade Bridge, which is the largest in the state, that didn't happen because the position of the Texas DPS station was somewhere else, something like that.

So, the biggest port, that crosses 10,000 trucks a day, they didn't have any disruptions and we locally that cross to 2,500 trucks a day, everything stops. So, as you can see, this was this very bad, very unfair situation in reality. And we, after we started discussing with local leaders, we realized it was, this was a 100% political.

**Olga Torres:** Well, we did some research, in preparation for the podcast and we were trying to figure out after the inspections, was there any announcement of any sort, regarding what was found? Were there any, I don't know, you could think like maybe drugs or migrants or anything?

**Adrian Gonzalez:** Nada ["nothing" in Spanish].

**Olga Torres:** And we couldn't find anything that's... yeah. Now that we couldn't find anything. So, there may be something coming up later, but so far, we couldn't find anything and then I think also just to kind of highlight for people that may not be as familiar with Texas. Texas has been ranked the number one exporter in the whole country for 20 consecutive years. Just alone, Texas exports in 2020 accounted for more than California and New York combined. So, a very large port of entry, very large state and Mexico being our... I don't know if Mexico is Texas's largest trading partner. I'm pretty sure of that.

**Adrian Gonzalez:** Should be.

**Olga Torres:** So, a lot of trade and it sounds like this situation, which appears to be more political than trade related, but it impacted trade.

**Adrian Gonzalez:** And, and that's why it caught us by surprise because we take a lot of pride. We know that even the governor takes a lot of pride in all the businesses that are coming into the state. He promotes the state and we agree with him. Well, we live here in Texas, right? So, we definitely do. We like it here. Right? I mean, we like how we do business here. That was what caught us by surprise that he made the decision that seemed to be so against what he was promoting for the state of Texas.

In terms of the ease of doing business, the trade of all of that. And then we saw this, and this was just, we just didn't understand. We finally understood why, right, politics. But, at the beginning, we just didn't understand what was going on.

**Olga Torres:** Yeah, and I've heard some figures in terms of what was lost. Because for people, if you think about it, well it's only one week how bad can it be? But I've heard great, crazy numbers in terms of agricultural products, like produce that got destroyed. And, in a variety of other items that you need to move quickly, and I don't have the, I thought I had them from our research, some of the numbers in terms of how much money was lost over that period, even though it was just, again, one week. So, what is the consensus? I think the trade community is not . . .it was too political. . .it impacted trade; it was unnecessary. Nothing really was found, at least nothing has been announced. How is the feeling on the other side of the border? I saw for example, announcements by the three Mexican states that met, the governor's meeting with Abbott and Governor Abbott and signing memorandum of understanding. And just like the US, Mexico has state-level politicians and the federal level. I've heard some discrepancies between the border states where they moved quickly to sign the memorandums of understanding. And if you haven't seen them, I actually looked one up and it's pretty vague. I'm not sure exactly what those governors are doing.

**Adrian Gonzalez:** Yeah.

**Olga Torres:** And whether we can trust that, that they're doing what they're saying they're doing. But then I also heard that from a federal perspective, Mexico wasn't too happy.

**Adrian Gonzalez:** Yeah, they weren't.

**Olga Torres:** And what's your sense for that?

**Adrian Gonzalez:** Yeah, so basically, and then going back to what you were saying, a lot of people don't realize that the rhythm of trade is like that. Things need to cross, like right now. And then we have an interesting mix here, in which half and half is pretty much produce, perishable commodities and the other half is usually maquiladora type automotive parts and such.

So, the perishable commodities, they need to cross fast. If not, they get spoiled pretty much. So, they're useless, right. And on the other side, automotive commodities, for example, they don't get spoiled, but they need to go into a vehicle, and plants don't wait.

**Olga Torres:** Right, and we already have supply chain issues as it is, exactly. I don't want to be adding anything else.

**Adrian Gonzalez:** So, reports say, and the numbers, and people have different numbers, but they're easily in the hundreds of millions of dollars in damages. I think I trust the numbers. I mean, I think that's definitely true. Some quantities say over a billion. I mean, I don't know, but it's a lot.

**Olga Torres:** Yeah, those were the numbers we were seeing. I mean, how do we verify the numbers? It's unclear. But it definitely had an impact, for sure.

**Adrian Gonzalez:** And also talking about these states was saying four states, and it was Tamaulipas, Coahuila, Nuevo Leon, which is just a small little sliver if you look at the map. But Nuevo Leon was involved as well and Chihuahua, so those four states.

**Olga Torres:** I know because I looked up the governor of Nuevo Leon.

**Adrian Gonzalez:** Nuevo Leon was the first one.

**Olga Torres:** He looks so young.

**Adrian Gonzalez:** He's young, younger than me. Yes.

**Olga Torres:** He looks like a little baby.

**Adrian Gonzalez:** 36, 35. Yeah, he's young.

**Olga Torres:** And he looks it, too! Sometimes you look older; he looks like a baby. I looked at Governor Abbott and then I looked at [him] and what? “Is he the governor?” Anyway, unrelated to that, sorry for the commentary. So, you're saying, in terms of the reaction of those Mexican states, do you think that there's a difference between the federal government and those Mexican states?

**Adrian Gonzalez:** Yeah. Basically, and I think for political purposes, these governors realized that once Governor Abbott announced that he wanted MOU's they said, “Okay, let's sign them.” And I think they thought for political purposes that because we, as the user were saying, sign it, but I mean, we don't want politics. Again, as I said none of us want to get into that. We have our opinions, but we don't want to project that into the work we do because we don't believe it's related, right?

**Olga Torres:** Right.

**Adrian Gonzalez:** So, they signed them. They didn't declare, they all say, “yeah, we're for it,” and all of that. I mean, it was all very political, everything. But once you looked at the federal level, we look at Marcelo Ebrard the Minister of Foreign Relations, I believe that's his position. He said that this was extortion, right? That what the governor/government of Texas did was extort Mexican states to extract agreements in not the best way possible. And I tend to agree, right? I mean, that was the situation. They had no choice. I mean, it's not like, “yeah, let's talk.” I mean, we, us users in the US and Mexico border, we didn't give them a choice. Said “You need to sign because it was very bad,” Olga. So, we needed to get stuff across, and it became just like that, “Hey, just please sign that, sign it.” I mean, and not that it doesn't have merit, not that the issue doesn't need to be addressed. I mean, we're not saying that, right? I mean, of course it is an issue, it needs to be addressed. But just the way that it was brought up, it was not the best way. I think we cannot agree with that, right?

**Olga Torres:** Yeah. I mean, it wasn't really solving the issue. I don't think. I guess that's a fair question. What was accomplished after that? I guess they signed MOUs.

**Adrian Gonzalez:** So technically they're going to help. So, what the governor said, “Hey, I don't want immigrants to get to the border pretty much.” That was the sense I got. The Mexican states agreed to monitor, to have checkpoints in which they're going to check and see that the immigrants don't get and that the control is adequate and all that. And just right today, I heard that there was the largest caravan being formed in southern Mexico.

So maybe that will be put to the test. I mean, I don't even want to say it but hopefully we don't get again into these type of issues about enhanced inspections and such first, because we know that they do not address the issue, right?

**Olga Torres:** Right.

**Adrian Gonzalez:** But it is an issue. I mean, we do have a problem that needs to be addressed. I mean, we do, and we know that, right?

**Olga Torres:** Right. Playing devil's advocate, the idea is we are seeing, this is going to be a problem coming, right? Another wave and what do I do from a very . . . we don't have the federal government, right? I'm a governor in a state in the US. How can I exert some kind of pressure at the governor level, even within Mexico? That's going to be really interesting to watch whether they can actually do anything because Mexico has all sorts of state versus federal . . .the same federalism issues that we would have here. So that's going to be interesting. And whether, if they actually cannot stop it like, let's say, Tamaulipas, Nuevo Leon they are not able to contain the wave and whether that could lead to more disruptions.

**Adrian Gonzalez:** Well, exactly, and that takes us to the point that we were discussing with importers and Mexican exporters about they need to be ready in case this happens again and any disruptions. Now, we are sure there's going to be a disruption. We don't know what type; it could be a weather event, it could be a pandemic, another pandemic or another variant of COVID 19, or it can be this, right? But what we were discussing with all of our customers and contacts and the different association is in a few words, we need to be ready, and we need to be planned for everything, right?

**Olga Torres:** And how do you think people should be preparing? Maybe importing now in advance and keeping more inventory on this side? We know that there's a new wave forming, right? And it's already. . .so how do we get ahead of that, just in case?

**Adrian Gonzalez:** Yeah. So that's a strategy that companies actually are taking because, as you mentioned, we are already coming from severe disruptions. So, companies are much more focused on resilience. And we're seeing that, so yes, increase of inventories. That's a measure that our companies start implementing. Many companies don't want to do that because that increased cost as well.

**Olga Torres:** Right.

**Adrian Gonzalez:** So, we know, we are very focused on costs but even the Secretary of Commerce yesterday said resilience costs money. So maybe a lot of companies were saying, “We will need to invest more, but this what we need to do in this new environment.” So that inventory is one thing, right? The other is that we're talking to our customers, saying “Make sure that you have different providers.” You have a diversification in your options in your supply chain, you have more than one bridge, more than one.

**Olga Torres:** More coming from other states. That's actually a really good question that I just thought of. We're seeing this only happen in Texas. So, what's the impact? We received criticism from the Mexican federal government, right? Calling our governor extortionist seems pretty strong wording there.

**Adrian Gonzalez:** He used extortion, right? So that's what he said.

**Olga Torres:** So, can Mexico, for example, say, “Well, we're not going to risk it. We're going to start using New Mexico or some other states?” Because I heard something about, I guess it was the corridor there.

**Adrian Gonzalez:** Yes, the T-MEC corridor. I believe it's a rail infrastructure project. Yes. Well, that's what they said, they're going to not use Texas; they're going to use New Mexico. So apparently that was in direct retaliation for this. So yes, we could see those types of issues, and we realize that here as well. And we always tell this to our local leaders, regional leaders, state leaders: importers have options. They don't have to use our port. They don't have to use our state. They can use other ports. They can use different supply chain routes, right?

**Olga Torres:** And we don't want that.

**Adrian Gonzalez:** Yes, and we don't want that. We don't want it because that's our work and we custom brokers, we can do entries, nationwide, but still we live here, we want our resource to develop. So, our message is always: let's not assume that people have to use this port or have to use us or have to be here. They don't, importers don't, right? They can use other ports. And that's our concern, right? That all these political issues will have importers use other ports. And not invest as much as they would in our region. If they thought that they had the certainty, that their products will come across.

**Olga Torres:** Yeah, and that puts us in a tough spot, actually. If we do it again here from Texas because we're so proud of being number one exporter, which is in many ways, facilitated by Mexico buying a lot of our exports. I mean, to me, it was crazy the numbers that we had, more than California, New York

combined. And our number one customer is Mexico. So, it's going to be interesting to see if there's any other ways we can exert some pressure, but that is now using trade and commerce and impact in US businesses at the end of the day.

**Adrian Gonzalez:** Well, Olga, I'm sure you've seen this recently that the last few years, it seems that trade has become the first weapon or the first use of any conflict worldwide. Right before didn't in many...

**Olga Torres:** And it's always been supposed to, trade and let's say economic sanctions and export controls, they are a foreign policy tool, right? Sometimes we don't want to go to war. We exert pressure through trade, but in cases like Mexico and even China, we've been following China very closely, especially after Russia, just because, when you are trading so much with someone, if you want to use trade to hurt them, it kind of hurts you, too.

**Adrian Gonzalez:** Exactly right. And that's what we're seeing.

**Olga Torres:** So yeah, that's exactly where we are. We will be in that position if we...

**Adrian Gonzalez:** And if you remember, Olga, we also, well, I mean, in my opinion, what happened with this disruption reminded me of the threat from the Donald Trump administration of the 5% additional duties on all Mexican imports. Do you remember that? That was years back. It did work. I mean, he did not implement it, so we did not feel the pain, but we saw that the Mexican government changed, and they put checkpoints at the south of Mexico and it worked. So, I don't know. I mean, I kind of think that maybe the governor said, "Well, we need kind of this strategy." Again, we wish we didn't have to be in the middle of it, right?

**Olga Torres:** Right, yeah, exactly. So, it's something that we're going to be monitoring closely. So, I digressed a little bit, sorry. You were talking about maybe more warehousing, diversifying suppliers, maybe potentially diversifying the states and ports of entry, I would think, right?

**Adrian Gonzalez:** Yes. I mean, definitely.

**Olga Torres:** As much as it pains me because we love Texas and we are in Texas, but that's potentially something people should be exploring.

**Adrian Gonzalez:** Yeah, and then different ports in Texas. And as we saw in this event, there were ports that were not disrupted at all. So if importers have a strategy of saying, “Well, I have my preferred port because that's normal. But I'm ready to use another port, several ports in case I need to.” That's a good strategy. What goes behind that, of course, is having suppliers that can use other ports because we customs brokers, we don't have issues with ports, right? We have a national permit; we can do all the entries anywhere. But Mexican brokers, for example, they have a limit in the amount of ports in which they can file pedimento, right. Or export pedimentos. So that could be an issue for exporters and importers, right? Another is carriers. A carrier says, “What? I don't use that route because of safety.” Or “I don't know how to; I just don't do this.” Right? So, importers need to also look at other carriers or come to an agreement with their carriers. And have a proven, worked-out contingency plan. We have customers that say, “My preferred port is Laredo, but I'm also going to use Pharr, it's going to be a smaller warehouse, going to be a smaller operation, but I'm going to use it, use it regularly in case something happens. I'm ready to divert more or less volume, depending on what I need to do.” That is the best practice. That is the best way to approach it.

**Olga Torres:** It probably will be especially for things like agricultural products, right? I don't think you can really store that in inventory as such, I guess you could freeze it. But I think having different ports is going to be one of the most critical ones, I would think.

**Adrian Gonzalez:** Yes. And overall, I mean, there's many different commodities, but usually produce shipments are sold even before they cross into the United States. So that is a very dynamic, fast industry and automotive and Maquiladora types, as well. So, yes, I mean, that's the challenge, right? There's this expectation that trade, that the truck needs to cross regardless right now, and we have that expectation and we want to maintain it. But also, as we speak to our customer, we say you should anticipate that maybe every now and then you're going to have a small disruption here or there. Are you ready? Can you comply with your customer's orders, even if you're not able to cross a truck today? Can you do that? Do you have the... and that goes back to what you mentioned, Olga, inventory levels. To us here at the border, that is the significance, and that is a major, major aspect of it, right? Because as companies want to reduce cost, they reduce inventory levels of raw materials and of finished goods, but that has its consequences. And we saw it with COVID 19, right? We saw how we needed masks. We need PPE and then suddenly we don't have them. Because we're used to these low-level inventories and now apparently they're changing how we feel that should be addressed generally.

**Olga Torres:** Right, I guess. And to close it, this is really helpful to close it out: I read in the news that the president of Mexico had declined the invitation to attend the Summit of the Americas. Do you think any of this could have had any, I think that he cited different reasons, I think that not all the countries in the Americas were invited.

**Adrian Gonzalez:** Yes, Cuba, Nicaragua, and Venezuela were not invited. So he said I'm not going, too.

**Olga Torres:** But I thought it was a very strong position, right? From one of our closest allies and one of our largest... Mexico is the US's second largest trading partner. I thought it was an interesting posture.

**Adrian Gonzalez:** What I think is that we have a great opportunity with what's going on worldwide, right? We see this new confrontation between states, China, and this willingness and openness from the US to say, "We want our allies, Mexico and other countries, to handle more for supply chain. So that's an amazing opportunity, I think, in terms of everything that we can do. We should approach that with efficiency, with competitiveness and cost. Because we don't want to help inflation, right? We've got enough of that already. So we want to be efficient with that.

When I see this type of issues from AMLO (Mexico President Andres Manuel Lopez Obrador) and, again, politics, I don't want to get too much into that, but I say, you know what? Can't we just come to an agreement and work together and use this opportunity as we should, right? Hopefully, wouldn't want to be in a situation where...

**Olga Torres:** That's exactly how I felt.

**Adrian Gonzalez:** Where, oh, well because there's a framework for Latin America coming soon. I'm sure you heard of that, Olga, and well, we want the business here. Right? We don't want, I mean, we want it for everybody. But we want to protect our region, protect our countries and, and capitalize on this great opportunity and not see it go somewhere else. I mean, if we can do it right. So that's my feeling here. I think he should have been there. And, I believe, he has a disagreement, he should voice it out. I mean, and that's politics, that's diplomacy, and resolve it. So that's what us citizens, I would like to see, I mean, we come to an agreement. Leaders get together, come to an agreement, and benefit the countries, right?

**Olga Torres:** Yeah. I agree with you. I think it was a missed opportunity by AMLO. So, I thought that was unfortunate, too. Don't want to get too into politics, but, as we traders...

**Adrian Gonzalez:** Unfortunately, it's a lot of politics.

**Olga Torres:** Yeah. Well, thank you so much for joining, and thanks listeners for tuning in. We'll get you more information next week on additional USMCA and Mexico matters. Thank you so much, and thank you, Adrian for joining us today.

**Adrian Gonzalez:** It's my pleasure, Olga. Thank you for the invitation. We'll keep in touch and thanks again to everybody that's listening. Thank you.

**Olga Torres:** Thank you.