

Microgeopolitics of Matamoros: **La Gran Puerta de México**

May 2025



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EXECUTIVE SUMMARY

Once a thriving trading hub, Matamoros has faced economic and security challenges in recent decades. Historically, the city played a crucial role in Mexican trade, benefiting from its strategic location on the U.S.-México border. However, globalization, changes in economic policies, and the rise of organized crime have prevented it from achieving its full potential.

Despite this, Matamoros is positioned for a resurgence thanks to global nearshoring trends, shifting U.S.-México trade relations, and regional economic growth. Key factors supporting Matamoros' potential include:

1. Strategic Geography:

It is located close to Brownsville, Texas, one of the fastest-growing U.S. cities, and its role as a critical gateway for U.S.-México trade.

2. Nearshoring Boom:

The U.S.-China trade war and supply chain realignment have led to increased foreign direct investment (FDI) in México, creating opportunities for Matamoros to reclaim its manufacturing prominence.

3. Political Alignment:

The current Mexican administration under President Claudia Sheinbaum is fostering (relatively) business-friendly policies while maintaining strong central control, which could stabilize Matamoros' investment climate.

4. Infrastructure and Security Improvements:

While security concerns persist, stability is improving, and illicit activity is shifting toward predictability.

5. U.S. Policy Improvements:

Continued U.S. protectionism and the strengthening of North American supply chains will further incentivize investment in the region. However, any major shift in U.S.-China relations could hinder México's nearshoring momentum.

Matamoros, then, is at a crossroads.

If it can capitalize on its potential while solving local governance and security challenges, it could transform into a key player in global manufacturing and trade. The following report examines the macroeconomic factors above in detail and provides strategic recommendations for policymakers and investors looking to unlock Matamoros' economic potential.

MATAMOROS AND THE POWER OF PLACE



Matamoros sits on the northeastern edge of México, directly across the Río Grande from Brownsville, Texas. That alone makes it strategically important. But its deeper significance is the way its geography connects land, river, and sea – a rare mix that has shaped the city’s history for centuries. Few places in México have benefited so consistently, and at times dramatically, from the simple fact of where they’re located.

The land itself – a mix of estuaries, wetlands, and clay dunes – made Matamoros attractive to indigenous traders long before the Spanish arrived. The area’s first colonial name, *San Juan de los Esteros Hermosos*, hints at just how rich and unusual the ecosystem was. Its proximity to the Gulf of México and its position along the Río Grande gave it natural advantages for trade, smuggling, agriculture, and, later, manufacturing.

By the early 1800s, Matamoros had become one of México’s busiest ports. It was a key entry point for licit and illicit goods heading into northern México. Revenue from Matamoros’ customs houses supported the national military. The city quickly grew into a bustling, multi-lingual hub, home to Spaniards, Mexicans, Americans, French, Germans, and others who saw opportunity in its riverfront location. At one point, Matamoros was so dynamic that U.S. observers imagined it becoming the New Orleans of the borderlands.

Its strength came not just from trade routes but from a certain independence of spirit. Isolated from Mexico City and closely tied to the U.S., Matamoros developed its own identity. That regional mindset made it

well-suited for the rise of the *maquiladora* model in the 20th century, when foreign companies set up factories in Mexican border towns to serve U.S. markets. Matamoros was arguably the original *maquiladora* success story.

But geography cuts both ways. When the Mexican government shifted away from centralized planning and toward neoliberal trade policies in the 1980s and 1990s, Matamoros’ strong unions and independent streak fell out of favor. The city lost ground to others considered more business friendly. Add in a hardening U.S.-México border, rising security concerns, and weak infrastructure, Matamoros found itself stuck in a period of underperformance.

Today, though, the same geography that once made Matamoros essential is starting to matter again. As the U.S. pulls key supply chains closer to home, and as Texas becomes an even bigger economic engine, Matamoros is coming back into focus. Its location – near the Gulf, along a border river, and adjacent to one of the fastest-growing cities in the U.S. – makes it a natural beneficiary of the nearshoring trend.

Geography alone won’t lead to success. But geography has always been Matamoros’ edge. And if current trends hold, that edge may become a serious advantage once again.



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MATAMOROS: FROM GLORIOUS HISTORY TO UNCERTAIN PRESENT

“Matamoros is an opulent city, the port of entry for a vast territory embracing a quarter part of Old Mexico and all of New Mexico and a great maritime mart with Spanish hidalgoes and Mexican dons reveling in oriental splendor.”¹

Such was the description of Matamoros in 1836 by Creed Taylor, a Texas Ranger and distant relative to Zachary Taylor, a military officer who served in the Mexican-American War and who would go on to become president of the United States. Taylor wasn't alone in his esteem for the burgeoning young city. Writing in 1841, historian William Kennedy predicted that Matamoros would “become the New Orleans, and the Rio Grande, the Mississippi, of this part of the world” because its resources “are not surpassed by any other section of the globe.”²

Neither Taylor nor Kennedy were guilty of hyperbole. Between 1826 and 1837, the population of Matamoros exploded from approximately 4,000 to approximately 16,000. Walking down the street, one could expect to hear Spanish, English, French, German, Italian, and other languages from the professionals, merchants, and doctors drawn to Matamoros' economic opportunities. Jews and runaway slaves hastened to Matamoros because of its relative freedom, security, and cosmopolitan character.³

In the 1820s and 1830s, Mexico's newly independent federal government, saddled with debt, relied on revenue from Matamoros to finance the daily needs of its military in northeastern Mexico⁴ – revenue generated by Matamoros' position as the maritime port for legal and illegal trade in northeastern México. Two-thirds of all imported goods to the region north of Guadalajara and Querétaro passed through Matamoros, which had become known as La Gran Puerta de México.⁵ Together with Tampico and Veracruz, Matamoros was seen as a critical strategic and commercial hub for México's future.

These historical descriptions of Matamoros seem farcical to anyone visiting Matamoros today. Crossing the busy border from Brownsville to Matamoros, one cannot really see the Río Grande or much at all of the “rich and exotic land teeming with wildlife, a unique ecosystem of resacas, streams, estuaries, and clay dunes” that made it an important Indian trading site and that first attracted Spanish settlers to the area.⁶

Instead, one is greeted by a highly militarized border, often backed up by traffic as far as the eye can see. The Mexican side of the border now offers evidence of the central government's recent deployment of 10,000 soldiers to the frontier to placate U.S. President Donald Trump and his recurring threats of tariffs. Whether the presence of these heavily armed Mexican soldiers encourages feelings of security or insecurity depends largely on personal experience.

Upon crossing into Matamoros, one is met by the texture of a city shaped by proximity to the U.S. and by its own resilience. Street corners are dotted with “yonkes,” used auto parts “shops” often stocked with vehicles bearing Texas and California plates, a reflection of the tightly woven cross-border economy. Altars, too, are common – not to the city's official namesake, Saint James the Greater, but often to Santa Muerte, the folk saint venerated by many in Mexico's working class and associated in media portrayals as the “patron saint of organized crime.”⁷



El Mañana

1 Still More Studies in Rio Grande Valley History. Edinburg, TX: University of Texas Rio Grande Valley, 23.

2 Kennedy, William. “Texas: The Rise, Progress, and Prospects of the Republic of Texas”. London: R. Hastings, 1841, 58.

3 Matamoros and the Texas Revolution, Craig H. Roell Texas A&M University Press, Aug 5, 2013, Loc 646.

4 Still More Studies, p 22.

5 Matamoros and the Texas Revolution, Loc 153.

6 Ibid Loc 355.

7 “Saint Death Now Revered on Both Sides of U.S.-Mexico Frontier.” NPR, March 19, 2014. <https://www.npr.org/sections/parallels/2014/03/19/291149166/saint-death-now-revered-on-both-sides-of-u-s-mexico-frontier>.



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MATAMOROS: FROM GLORIOUS HISTORY TO UNCERTAIN PRESENT

For outsiders unfamiliar with the culture of the borderlands, these images can appear jarring. But for locals, they are part of the fabric of everyday life – symbols of survival, tradition, and adaptation in a region long defined by fluid movement, informal markets, and contested authority.

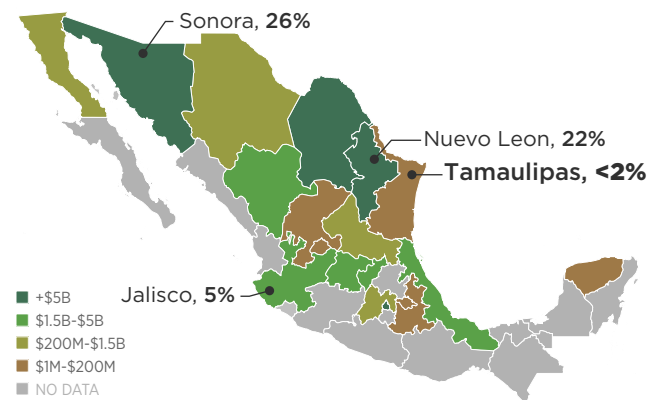
Matamoros has never conformed to the image of a polished, planned company town; its history is rich in adaptability and frontier innovation. Its strengths have always come from the ground up – from informal trade, cross-border ties, and a culture shaped by necessary change, not official design. Matamoros has long served as a commercial gateway, a cultural hybrid, and a city that thrives in the gray space between nations and formal systems. For investors willing to look beyond surface contradictions, that legacy may once again become an asset.

Matamoros in 2025 is not the Matamoros of 1825, but the geopolitical context in which Matamoros exists is changing – for the better – for the first time in generations. Its (relative) security and economic regression in the 1980s reflects how disadvantageous the city's qualities can be in a globalized world dominated by neoliberal economic policies on both sides of the border. The emergence of a multipolar world, of U.S. nearshoring manufacturing, and of Texas as one of the biggest economic growth engines in the world – these are dynamics from which Matamoros is uniquely positioned to benefit.

This is not a story that is being told in English-language media. After all, it is not the kind of story in today's media environment that generates outrage or clicks. When the average English-speaker types the word *Matamoros* into Google, the top search results are “*Is Matamoros, Mexico safe?*” and “*Matamoros, Mexico crime.*” Further research will yield troubling accounts, including the grisly kidnapping of four Americans, two of whom were killed, in 2023 – an event so exceptional that the Gulf Cartel literally apologized for its mistake afterwards and returned the two survivors.⁸ The history of Matamoros as the centuries-old historical and cultural center of the Río Grande valley can also be overshadowed by the kidnapping and murder of a University of Texas student in the city in 1989.⁹

Matamoros, however, faces significant headwinds in capitalizing on its immense potential in the years ahead, and no good analysis would downplay Matamoros' security issues. But these security issues are not exclusive to Matamoros; they are common throughout México and have overshadowed Matamoros' potential. From 2021 to 2024, Tamaulipas, the state in which Matamoros is located, accounted for less than 2 percent of all nearshoring investment (compared to 26 percent for Sonora state, 22 percent for Nuevo León state, and 5 percent for Jalisco state). A recent *Boston Consulting Group* report claimed a total absence of industrial clusters anywhere in Tamaulipas (did anyone bother to visit Matamoros before concluding that, one wonders).¹⁰

Nearshoring investment by state, 2021-24 (\$ and % total)



Econosignal, Deloitte

8 “Gulf Cartel Apologizes After Americans Are Kidnapped, Killed in Mexico.” NBC News. <https://www.nbcnews.com/news/us-news/gulf-cartel-apologizes-americans-are-kidnapped-killed-mexico-rcna74242>.

9 “Murder of Mark Kilroy.” Wikipedia. Last modified April 2024. https://en.wikipedia.org/wiki/Murder_of_Mark_Kilroy.

10 “Shifting Dynamics of Nearshoring in Mexico.” Boston Consulting Group, 2024. <https://web-assets-pdf.bcg.com/prod/shifting-dynamics-of-nearshoring-in-mexico.pdf>.

MATAMOROS: FROM GLORIOUS HISTORY TO UNCERTAIN PRESENT

This imbalance belies Matamoros's potential advantages as a manufacturing hub. Warren Buffet once famously said *"to be fearful when others are greedy and to be greedy only when others are fearful."* This report will make the case that when it comes to Matamoros, it is time to be greedy. Cautious, perhaps, but greedy, nonetheless.

Recent decades have been tough on Matamoros. But it is equally vital to remember that Matamoros was once the crown jewel of northeastern México; that Tamaulipas was one of the first Mexican states to pioneer the *maquiladoras* economic model; that Matamoros was the best place for *maquiladoras* to operate well into the 1980s; that Brownsville is the 15th fastest-growing city *in all of the United States*; ¹¹ that the broader Brownsville-Matamoros metroplex was once "easily compared to the Mississippi or the Hudson Rivers, with Matamoros commanding the gateway"¹²; and that great power competition between the U.S. and China necessarily means the U.S.-México borderland will become a point of interest and investment once more. The question is not whether Matamoros will benefit from these dynamics but by how much.

¹¹ "The Fastest-Growing Places in the U.S." U.S. News & World Report. <https://realestate.usnews.com/real-estate/articles/the-fastest-growing-places-in-the-us>.

¹² Matamoros and the Texas Revolution Loc 259



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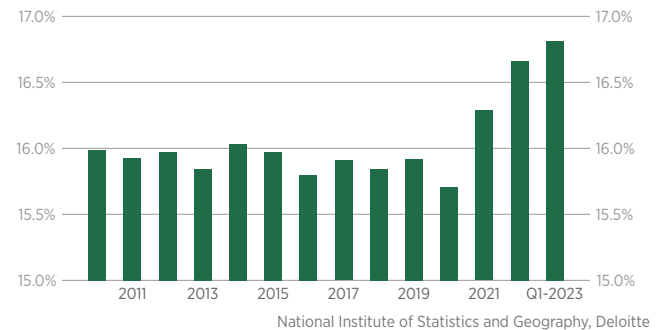
MATAMOROS: FROM UNDERACHIEVEMENT TO PROGRESS

México has already seen incredible benefits from the early stages of U.S. nearshoring. Mexico surpassed China as America's largest trading partner in 2023, with exports reaching \$475 billion.¹³ Moreover, manufacturing foreign direct investment "has risen by an average of 20 percent annually since 2019, compared with 7 percent globally."¹⁴ This investment has not only been driven by the U.S.; companies from Germany, Canada, Japan, and even China have sought to capitalize on the advantage of manufacturing in México's market. Nor is México's manufacturing renaissance driven by a single sector; while the automotive sector has accounted for some 40 percent of FDI in recent years, México sports advanced industrial clusters for electronics, aerospace, and advanced medical products. In Q3 2023, México recorded a new record of about \$33 billion worth of FDI.¹⁵

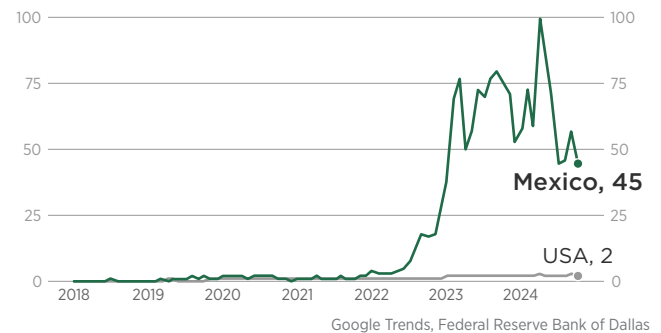
If Matamoros has such impressive geopolitical intangibles, why has it fallen behind neighboring cities? At the state level, Tamaulipas was not even in the top 10 destinations for FDI in Mexico's record-breaking 2023 Q3. And, critically, the nearshoring phenomenon is still in its early stages. México has grabbed only a small portion of the U.S. market lost by China. Moreover, while nearshoring is a buzzword in Mexican policy and business circles, it has barely registered in the American psyche. A *Federal Reserve Bank of Dallas* report recently showed that the level of interest in nearshoring to México by U.S. companies remains extremely small relative to Mexican interest. In other words, companies from the U.S. and elsewhere are grabbing only the low-hanging fruit. The acceleration of U.S. trade wars and an eventual renegotiation of the USMCA will accelerate the nearshoring trend considerably, and it will force companies to make decisions about expanding into different regions of México with spare capacity and lower relative costs.

Still, the question remains: Why isn't Matamoros the low-hanging fruit? Ask any Matamoros resident or experienced businessman this question, and they will answer with a name: *Don Agapito*. Agapito González Cavazos was a king-like figure in Matamoros for the better part of a century. Before the rise of *maquiladoras*, the economy of Matamoros was dominated by the production and processing of agricultural commodities, especially cotton. Agapito worked as a temp in cotton mills in the

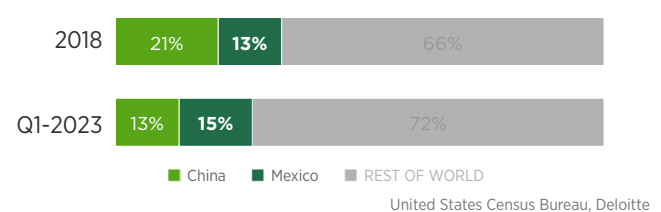
Mexico's manufacturing production (% of GDP)



Interest in nearshoring (index, "nearshoring" Google search)



US imports by country of origin (% total)



1930s and 1940s, becoming a top union official as early as 1936.¹⁶ In 1957, Agapito became general-secretary of the Confederación de Trabajadores de México (CTM) and remained in his post until roughly 1990, when he was forced from power by national leaders of the Mexican Workers Federation.¹⁷ Agapito is a controversial figure in Mexican politics, and that controversy has only served to obscure the underlying geographic dynamic that enabled a figure such as Agapito to gain such considerable power in Matamoros in the first place.

13 O'Neil, Shannon K. "Who Is America's Top Commercial Partner? Hint: It's Not China." Brookings Institution. <https://www.brookings.edu/articles/who-is-americas-top-commercial-partner-hint-its-not-china/>.

14 Shifting Dynamics of Nearshoring

15 "Informe Trimestral IED Q3 2023." Secretaría de Economía, Gobierno de México. https://www.gob.mx/cms/uploads/attachment/data/file/869698/20231103_Presentaci_n_IED_3T-2023__versi_n_p_blica_.pdf.

16 Trujillo, Mario. "It's Time to Learn if New NAFTA Really Protects Workers." Quartz. <https://qz.com/2012514/its-time-to-learn-if-new-nafta-really-protects-workers>.

17 "Matamoros Labor Boss Deposed." Los Angeles Times, September 18, 1990. <https://www.latimes.com/archives/la-xpm-1990-09-18-fi-800-story.html>.

MATAMOROS: FROM UNDERACHIEVEMENT TO PROGRESS

Since its founding, Matamoros developed “an identity quite apart from that of the Mexican interior,” an identity based on economic independence and “loyalty to one’s locality.”¹⁸ Today, Americans and Mexicans alike have been conditioned to think of their history in the context of the nation-state. Before the 1930s, the U.S.-Mexico borderlands were a liminal space, an area of “transnational tales of frontier progress and modernization.”¹⁹ During the 1930s, those national narratives began to transform. In the U.S., this narrative emphasized *Manifest Destiny*, largely excluding México from the story. In México, after the revolution, Mexican elites consolidated political, economic, and even cultural control of the country in México City.

Matamoros long resisted this centralization, and the hardening of the physical and cultural border between Mexico and the U.S. was arguably more damaging to Matamoros than any other Mexican city. It also meant, however, that Matamoros clung to its regional distinction in particular ways, manifesting in disproportionately stronger unions in Tamaulipas than other Mexican northern states like Chihuahua, where local and foreign capital played a more significant role.²⁰ For much of the 20th century, this suited the ruling Partido Revolucionario Institucional (PRI) well because it used the unions not just to exert political control over Matamoros but to embark on a policy of import substitution industrialization (ISI). ISI “promoted domestic industrialization via import barriers in order to bolster domestic industry and improve the terms of trade between Mexico and the U.S.”²¹ Through this program, foreign manufacturers could set up *maquiladoras* along a 12.5-mile strip adjacent to the U.S.-México border – and Tamaulipas was one of the first states to execute this development model. “Matamoros used to be number one in *maquiladoras* at the same time with Juárez, or Ciudad Juárez.”²²

Thus, the Mexican government carved out a legal exception that allowed it to maintain protectionist policies while still benefiting from foreign capital. The *maquiladora* program “established a legal state of exception within an ISI-policy framework: Rules implemented by state authorities in the economy because of the ISI model did not apply in Mexico’s northern border due to *maquiladoras*.”²³ The CTM, as well as the Industrial

Workers and Laborers’ Union of Matamoros (SJOIIM) served as managers of conflict and negotiation between government, business, and labor. A conventional view of Mexican labor history interprets power as having gone to Agapito’s head. In the 1980s, he began to push for policies such as a 40-day work week, which in turn made Matamoros less attractive to foreign capital. It is also possible, however, to interpret Agapito’s heavy-handedness as evidence of the leverage Matamoros leaders had at the local and even national level of political and economic decision-making. In other words, when the Mexican government was dominated by PRI and was pursuing an ISI/*maquiladoras* policy, Matamoros’ unique geographic qualities and independent-minded culture resulted in a symbiotic union/government relationship.

What Agapito failed to account for was the rise of neoliberalism, globalization, and eventually, the North American Free Trade Agreement. PRI was losing its power as the dominant force in Mexican political life – México had started to take halted steps toward democracy and away from single party dictatorship. It also had essentially given up on the ISI strategy, betting instead that integration into North American supply chains and tying México’s economic fate even more tightly to America’s was the only path forward. PRI, then, no longer needed strong local unions and leaders. Instead, it needed the borderland states to obey the center. Agapito refused to recognize the world was shifting beneath his feet, and as a result, “national state authorities sought to weaken local Tamaulipas leaders who opposed neoliberalism in an effort to set an example for the rest of the country.”²⁴

18 Texas Revolution Loc 509.

19 Course of Mexican History p. 182

20 “Economies and Politics of (Il)Legality, 1950–2012.” Leiden: Brill, 2020, p.38.

21 Ibid p. 30–31.

22 Interview with René González Rascón

23 Ibid p. 32

24 Ibid p. 38



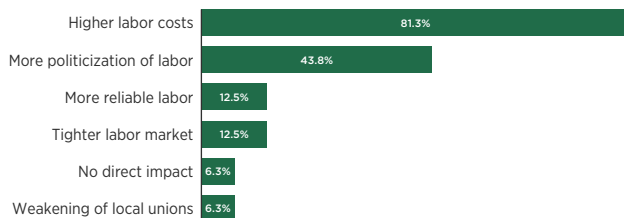
MATAMOROS: FROM UNDERACHIEVEMENT TO PROGRESS

Matamoros was disproportionately affected by this shift in Mexican politics. Now, however, the pendulum has swung back. Mexican politics is evolving in a direction that will allow Matamoros' unique geography, independent-minded culture, and close relations with Brownsville to realize potential that was stifled under the previous era of neoliberal imitation.

As part of the research for this project, various businesses, leaders, policymakers, and analysts were asked in a confidential survey how Mexico's labor reforms impacted businesses. More than 80 percent of the respondents said that the result was higher labor costs.

How have Mexican labor reforms impacted your business?

Check all that apply (% of respondents)



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This may be seen as a negative trend; after all, higher labor costs should translate into a less competitive Mexican market. However, the shift from globalization to geopolitical multipolarity means labor costs in and of themselves are not as important as they were in the past. Whereas higher labor costs might have once been a dealbreaker, they are now part of a more complicated risk analysis. In a multipolar geopolitical environment, security, reliability, and predictability play a larger role. In that sense, an increase in the power of labor as mediated by unions or actors tied directly to the government represents a return to the kind of dynamics that enabled Matamoros to succeed in the 1960s and 1970s, and it reflects a potential change in the power dynamics within Matamoros that had held the city back from its innate advantages. This may be seen as a bad sign for the future of Mexican democracy, but it's a good sign that the internal power dynamics that held Matamoros back in recent decades are shifting – if not back in Matamoros' favor, then at least toward a neutral position.

As a result, Matamoros finds itself at the confluence of several key positive trends:

1. **The goals of power brokers in Matamoros are aligned with federal authorities.**
2. **An improving security situation with the reestablishment of a “normal” level of illicit activity rather than constant internecine violence between competing gangs.**
3. **Proximity to the 15th fastest-growing city ²⁵ in the U.S., a region that is attracting hundreds of millions of dollars in investment, ranging from new projects by SpaceX to water desalination projects by the Brownsville government.**
4. **A geopolitical imperative for deeper trade ties between the U.S. and México as Washington reworks global trading relationships on the basis of security and self-sufficiency over cheap access to finished products**
5. **An unflattering reputation that has kept prices in Matamoros relatively cheap compared with other major Mexican border cities.**

The latter three of these trends mean that Matamoros will enjoy a measure of economic growth in the coming years. Matamoros' success in that regard will depend largely on the first two of these trends – i.e., whether the city's inherent desire for independence is seen by the Mexican state as an advantage and is cultivated as such and whether the security situation in Matamoros remains predictable, such that cartel activity is pushed back toward zones of illegality rather than as the clientelist interface for a centralizing force in México City that aims to keep its periphery under the control of the federal state at the expense of local interests.

25 “The Fastest-Growing Places in the U.S.” U.S. News & World Report. <https://realestate.usnews.com/real-estate/articles/the-fastest-growing-places-in-the-us>.

MATAMOROS: TRENDS TO MONITOR

Matamoros' road to success will not be without difficulty. There are four key signposts to monitor that will indicate whether trends continue to shift in the city's favor or whether it will continue to fall behind places like Juárez, Querétaro, or even Nuevo Laredo. These signposts, in order of importance, are Mexican politics, infrastructure shortcomings (specifically power, water, and transportation), security, and U.S. politics.

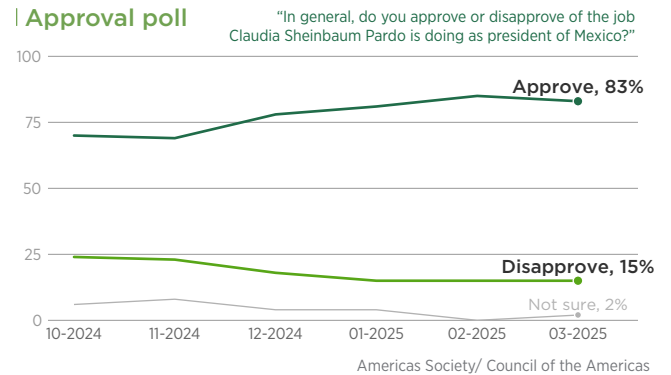
1. Mexican Politics

Mexican democracy is relatively young. From 1929-2000, PRI held uninterrupted power, sometimes in the context of elections that were almost certainly rigged. From 2000 to 2024, Mexico functioned as a true multi-party democracy. Over this same period, Mexico's economy performed extremely well at the top level, but those gains were enjoyed unequally. While overall GDP per capita has almost tripled over the past 25 years, average annual wages have stayed stagnant.²⁶ Some 60 percent of Nuevo León – México's wealthiest state per capita – is middle class, while 80 percent of Chiapas state lives under the poverty line. Inequality broadly declined from 1994 to 2006 but then rose for over a decade.²⁷

This inequality, as well as the deterioration of the security situation and the overt corruption of the Peña Nieto government, led to former President Andrés Manuel López Obrador (AMLO)'s landslide victory in 2018 and, more importantly, the dominance of his National Regeneration Movement (Morena) party. His successor, current President Claudia Sheinbaum, has arguably even more power than AMLO, with a de facto supermajority in both houses of the legislature. Morena's success has also set the country back on a path toward single-party dictatorship. Whether by weakening election monitoring capacity, building a new National Guard, or moving toward election of Mexican judges, Morena has already significantly weakened the guardrails of Mexican democracy.

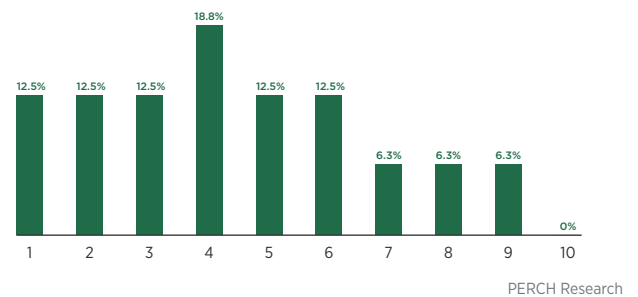
It has done so to widespread approval. As of February 2025, 56 percent of Mexicans say the country is on a good path; 85 percent approve of the job Sheinbaum is doing; and 76 percent say she has done a good/very good job of managing the economy.

Approval poll



What is your approval rating of Morena?

1-10 (% of respondents)



Our own survey suggests slightly more ambivalence, with roughly equal levels of approval and disapproval across the board. Had AMLO's policies continued, this might have been a source of deep concern for Matamoros' future: AMLO was determined to increase the role of the state in all aspects of the Mexican economy. Sheinbaum's presidency is still young, but she has already shown more pragmatism and business friendly policies than her predecessor. She has also been very adept at managing U.S. protectionism, enjoying far more success than Canada in dealing with U.S. policy volatility. Even so, she is still very much a populist, and the problem with single-party dictatorship is that future Mexican leaders may be more like AMLO, or else take the country in direction contrary to Matamoros' interest.

26 Instituto Nacional de Estadística y Geografía (INEGI). PIB por Entidad Federativa 2019. Aguascalientes, Mexico: INEGI, 2020. <https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2020/OtrTemEcon/PIBEntFed2019.pdf>.

27 Araujo, María, Francesca Bartolini, and Andrea Redonda. FDI and Regional Disparities in Mexico: Trends, Challenges and Policy Recommendations. Economic Commission for Latin America and the Caribbean (ECLAC), September 2019. https://www.cepal.org/sites/default/files/events/files/fd_and_regional_disparities_mexico_30_set_2019_araujo_bartolini_redonda_0.pdf.

MATAMOROS: TRENDS TO MONITOR

2. Infrastructure

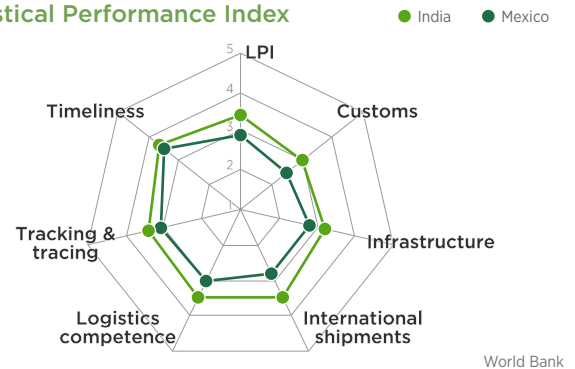
One observable way that political volatility and certainty manifests is in a lack of infrastructure. In this sense, México has much in common with Vietnam, another darling of nearshoring acolytes. A recent power struggle within the Vietnamese government effectively froze large-scale infrastructure projects. Despite the government inefficiency, Vietnamese electricity demand continued to rise by more than 10 percent annually, eventually leading to severe power shortages. The story is similar for roads, rail, telecoms, and even labor training.²⁸

At the topline, México seemed to invest a lot in infrastructure during the AMLO presidency, but much of that investment was spent on boondoggle vanity projects rather than on the areas in which México lags behind the competition considerably. Investment in critical areas like seaports and infrastructure for electricity, highways, and bridges pales in comparison to the unproductive capital thrown at massive rail projects. The result is that México earns worse infrastructure scores from the World Bank than *India*, a poster child for bad infrastructure. The power sector is particularly concerning; private participants in the power sector face legal uncertainties, thanks to Morena reforms, that worsen underlying shortages in transmission and distribution.

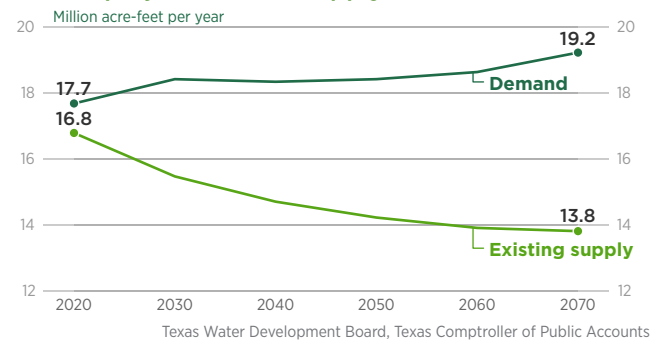
On the one hand, this is an opportunity for Matamoros: The areas with the highest incidence of power shortage events include Tijuana and Monterrey. But to take advantage of the opportunity, Matamoros must commit to shoring up these problems with zeal and rapidity. Waiting on the federal government to come to the rescue is not only counter-productive; it is contrary to Matamoros' history. The city's most successful eras have been when local government and business work together to fix its problems and respond to demand.

Another critical issue, one that is beyond Matamoros' control, is water, and especially water levels on the Río Grande. Across the border, Brownsville is aggressively and creatively tackling its water problems by investing in water desalination, which currently covers 30 percent

Logistical Performance Index



Texas' projected water supply and demand



of Brownsville's water usage.²⁹ Even if new investments come through, it still may not be enough. According to the Texas State Water Plan, the Texas Water Development Board (TWDB) expects Texas water supply to decrease by 18 percent by 2070³⁰ and water demand to increase by 9 percent. Approximately one-quarter of Texas' population would face municipal water shortages without additional supplies by 2070. Already, water demand from companies like SpaceX are making those projections look conservative.³¹ Overuse of the Río Grande by U.S. farmers has intermittently caused extreme water shortages in Matamoros,³² and current trends suggest this situation will only continue to worsen.

28 Yoshino, Yusuke. "Will Vietnam Face Another Power Crisis This Year?" Nikkei Asia, May 6, 2024. <https://asia.nikkei.com/Spotlight/Comment/Will-Vietnam-face-another-power-crisis-this-year>.

29 Interview with John Cowen, 2/25

30 "Texas State Water Plan Projects Water Shortage by 2070." Texas Comptroller of Public Accounts. <https://comptroller.texas.gov/economy/fiscal-notes/archive/2023/sep/water.php>.

31 "SpaceX Consumes Millions of Gallons of Brownsville Water amid Scarcity." "MyRGV.com", November 22, 2024. <https://myrgv.com/local-news/2024/11/22/spacex-consumes-millions-of-gallons-of-brownsville-water-amid-scarcity/>.

32 Stopping the Old Rio Grande, Caroline Tracey, Jan 2024.



JACOB SHAPIRO

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MATAMOROS: TRENDS TO MONITOR

3. Security

Security concerns in Matamoros are real but often misunderstood, shaped more by high-profile incidents and media narratives than by the day-to-day experience of residents and businesses. While cartel influence remains (as it does in all Mexican cities), violence has declined in recent years, and the local security situation has become more predictable. For investors, that distinction matters.

Interviews and survey responses reflected this ambiguity. Many locals describe the current environment as “normal,” with precautions still necessary but violence more contained. Internecine warfare among criminal groups – the main driver of volatility – has diminished. Federal and local governments appear more aligned than in the past, contributing to a more stable atmosphere.

By U.S. standards, Matamoros does not offer the perception of full safety. But within the Mexican context, it is no longer exceptional in its risks – and in some cases compares favorably to better-known nearshoring destinations. That reality is already reflected in the cautious but growing interest among manufacturers, particularly those who value reliability and proximity over optics.

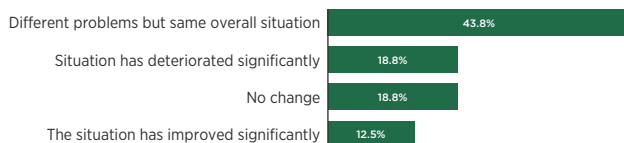
Still, certain conditions must hold. A deterioration in cartel dynamics – especially if factories or foreign personnel become direct targets – would slow progress dramatically. Conversely, if the state reasserts authority in ways that push criminal activity out of the formal economy, it could unleash a wave of investment. The near-term trajectory leans toward the latter, but it remains a key signpost to watch.

4. U.S. Protectionism

The biggest trend that supports the success of Matamoros in the future is the U.S. trade war with China and the emphasis the U.S. government and U.S. companies are placing on nearshoring supply chains to markets that are closer and more politically reliable. If the U.S. settled its trade conflict with China such that Washington and Beijing made a grand bargain to work together on trade in the future, it would immediately undercut interest in and the analytical rationale toward nearshoring. That Matamoros is a relatively undeveloped nearshoring play means it would be negatively affected by such a major policy shift. This is a low probability but high magnitude signpost. A U.S.-China rapprochement would require a major revisit of the thesis for this project.

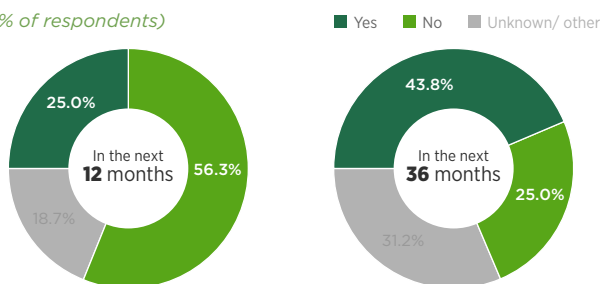
Has the security situation gotten better or worse since 2018?

(% of respondents)



Do you think the security situation will improve in the future?

(% of respondents)



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This report was published with the support of:



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