



Latin America Needs to Improve its Readiness for Nearshoring

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Nearshoring has been around for ages; but the global pandemic, with its accompanying shortages of supplies and equipment, port congestion and labor shortages, served as a loud wake-up call for manufacturers to seriously consider locating production closer to home. Post-pandemic, the ratcheting up of trade tensions (especially between the U.S. and China) as well as national security concerns have elevated nearshoring to even greater importance for global producers.

For Western Hemisphere nations, the prospect of wooing to their shores a great many companies that currently produce in Asia is tantalizing and definitely doable. However, the reality is that proximity to the United States alone is no longer enough to win the race for investment. Recent research by the Adam Smith Center for Economic Freedom at Florida International University developed and applied a Readiness Dashboard (RD), a multidimensional tool designed to measure how well-prepared 124 countries are to capture these shifting global value chains.

The Four Pillars of Readiness

The Readiness Dashboard moves beyond simple economic metrics, evaluating national competitiveness through 32 variables organized in four critical dimensions:

- **Institutions:** This pillar assesses business ambiance, including property rights, judicial independence, and the rule of law. Stable and predictable institutions are vital for attracting the large-scale, long-term investments required for manufacturing.
- **Infrastructure:** Beyond traditional roads and ports, this dimension includes digital development and energy reliability. Modern supply chains require real-time visibility and robust digital connectivity to function efficiently.
- **Integration:** This measures how deeply a country is already embedded in global trade networks through existing exports, imports, and favorable trade agreements.
- **Inputs:** Perhaps the most challenging pillar, this focuses on the availability of a skilled workforce (human capital), access to finance for small and medium enterprises, and a supportive environment for innovation.

The RD simplifies complex data into clear, comparable indicators to assess progress in nearshoring readiness. Each indicator scores countries on a scale from [0] to 10: 0 none, (0-3] weak, (3-5] soft, (5-6] moderate, (6-8] good, (8-10] strong [10] perfect.

Latin America's Performance

The research highlights a significant readiness gap. While the global average readiness score is 5.50, Latin America and the Caribbean currently trail with an average of 4.91. In contrast, advanced economies lead with a score of 7.08, primarily due to their superior infrastructure and institutional stability.

For the region to truly capitalize on the nearshoring trend, policymakers must address structural weaknesses. The Inputs dimension remains the biggest hurdle across nearly all income levels, signaling a desperate need for enhanced workforce training and better financial access for local suppliers.

Be that as it may, for nearshoring location and relocation decisions, Latin America's assets out number its liabilities. These include real-time collaboration, cultural affinity, cost-effectiveness and a growing talent pool that make Latin America the crown jewel for nearshoring operations—in particular Mexico, Colombia, the Dominican Republic, Panama and Costa Rica. Just last year the Association of Latin American Free Zones (AFZA) having launched Relocate Latam, a specialized platform for reshoring, nearshoring and offshoring. Industry winners for nearshoring are and will continue to be the automotive and EV supply chain, textiles and apparel, furniture and semiconductors (in the long-term). At the company level, Samsung, Mattel, IKEA, and TSMC are reaping the benefits of nearshoring part of their operations to the Western Hemisphere.

Returning to readiness indicator, the Readiness Dashboard is more than a metric; it is a wake-up call. To claim its seat at the table of the new global economy, the region must evolve. Being nearby is no longer a competitive advantage; being 'ready' is the only way forward. This requires a ruthless commitment to strengthening institutions, modernizing infrastructure, and investing in the talent of its people. The challenge is immense, but the reward is greater: the chance for the Western Hemisphere to reforge itself into the world's most resilient, productive, and inclusive economic powerhouse. The window is open, the time to act is now.

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