



# U.S. – Mexico Trade Relationship

May 2017

# Mexico: the 15<sup>th</sup> largest world economy

With a GDP of 1.1 trillion dollars and strong macroeconomic stability



**a country of young, talented and highly-skilled people**



**an example of macroeconomic stability**



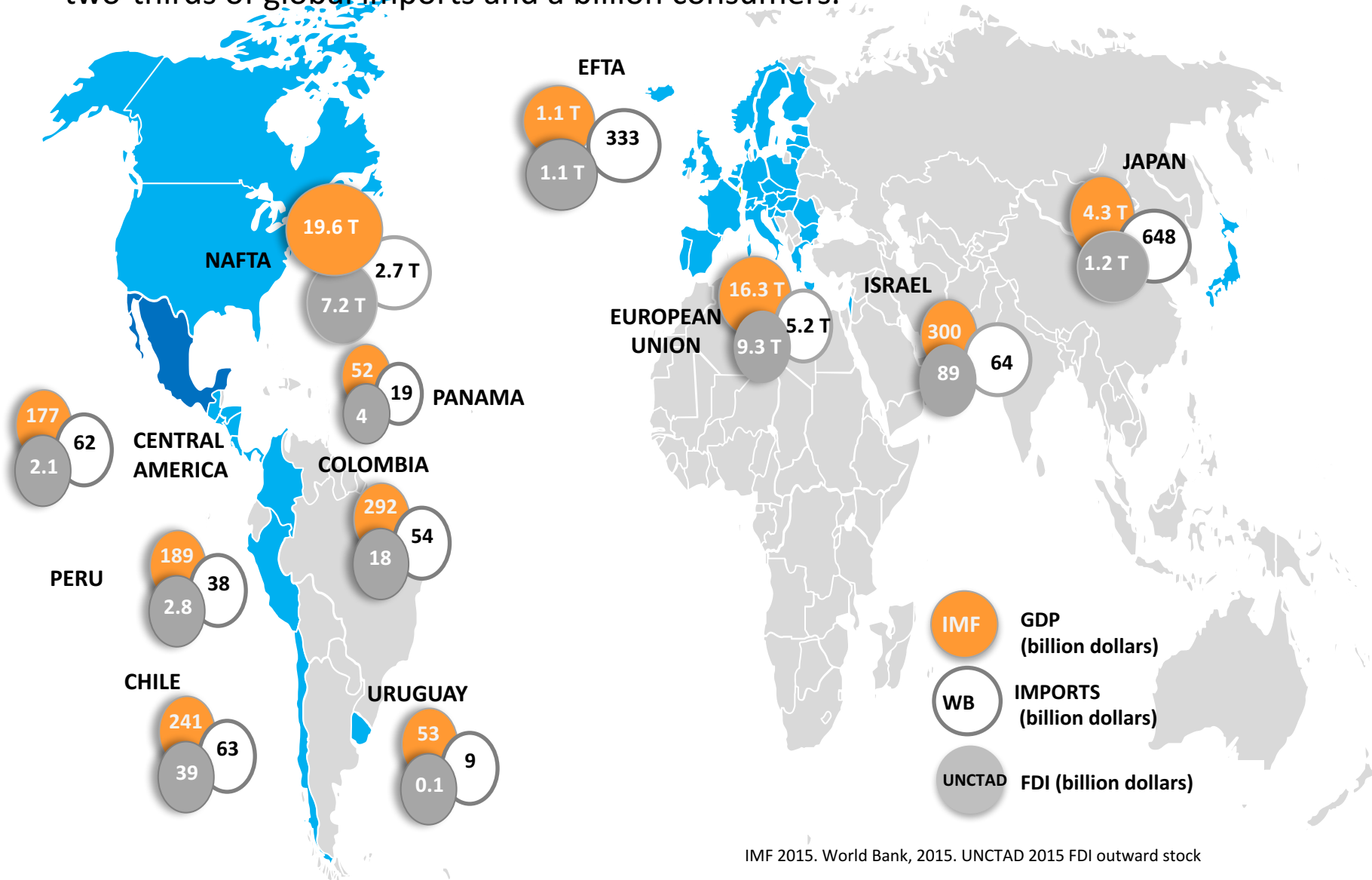
**ready to increase productivity through structural reforms**



**open for business**

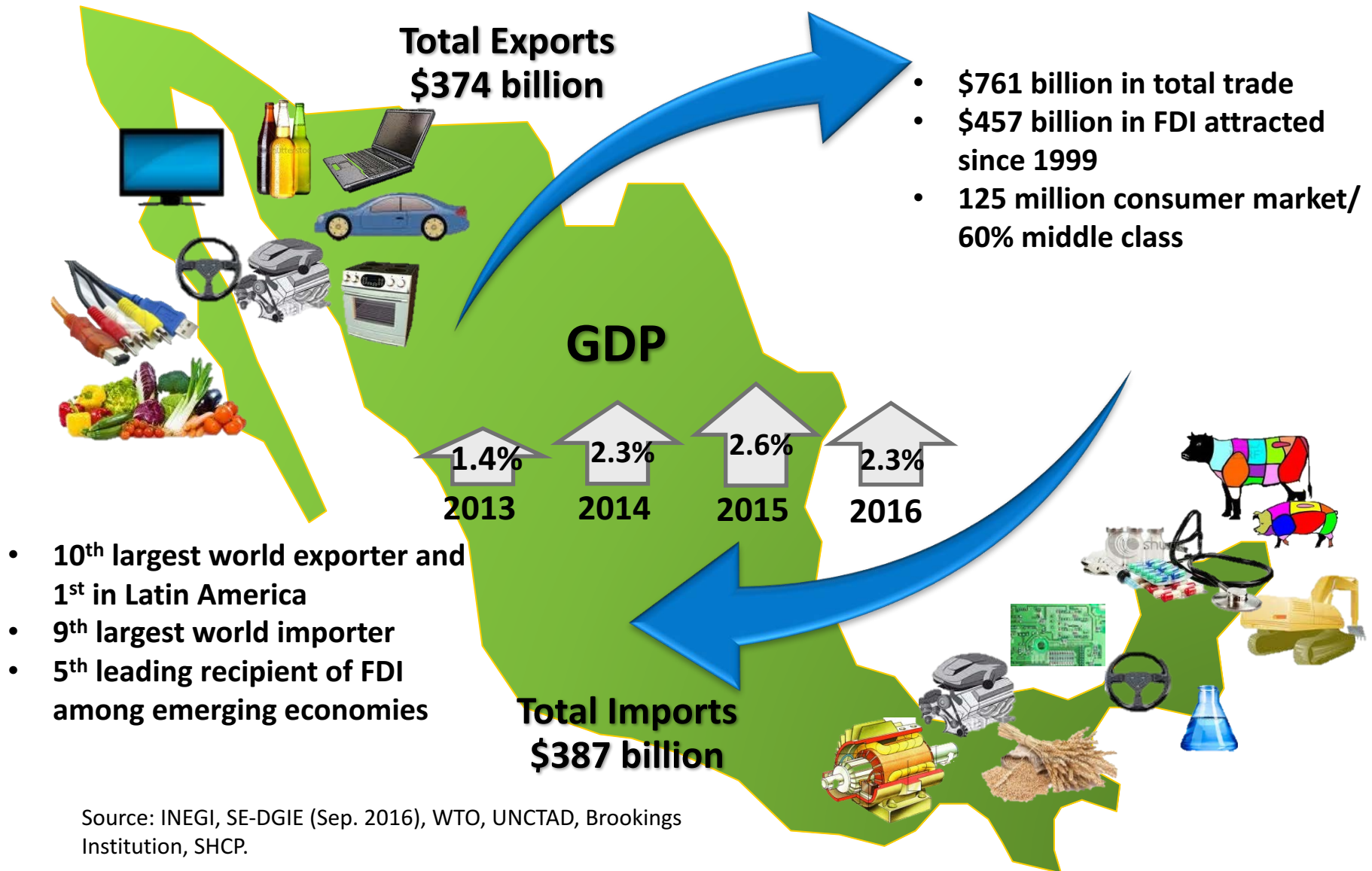
# Mexico is one of the most open economies

- Mexico's FTAs network includes 46 countries which account for 70% of world GDP, two-thirds of global imports and a billion consumers.



# Mexico is a growing economy

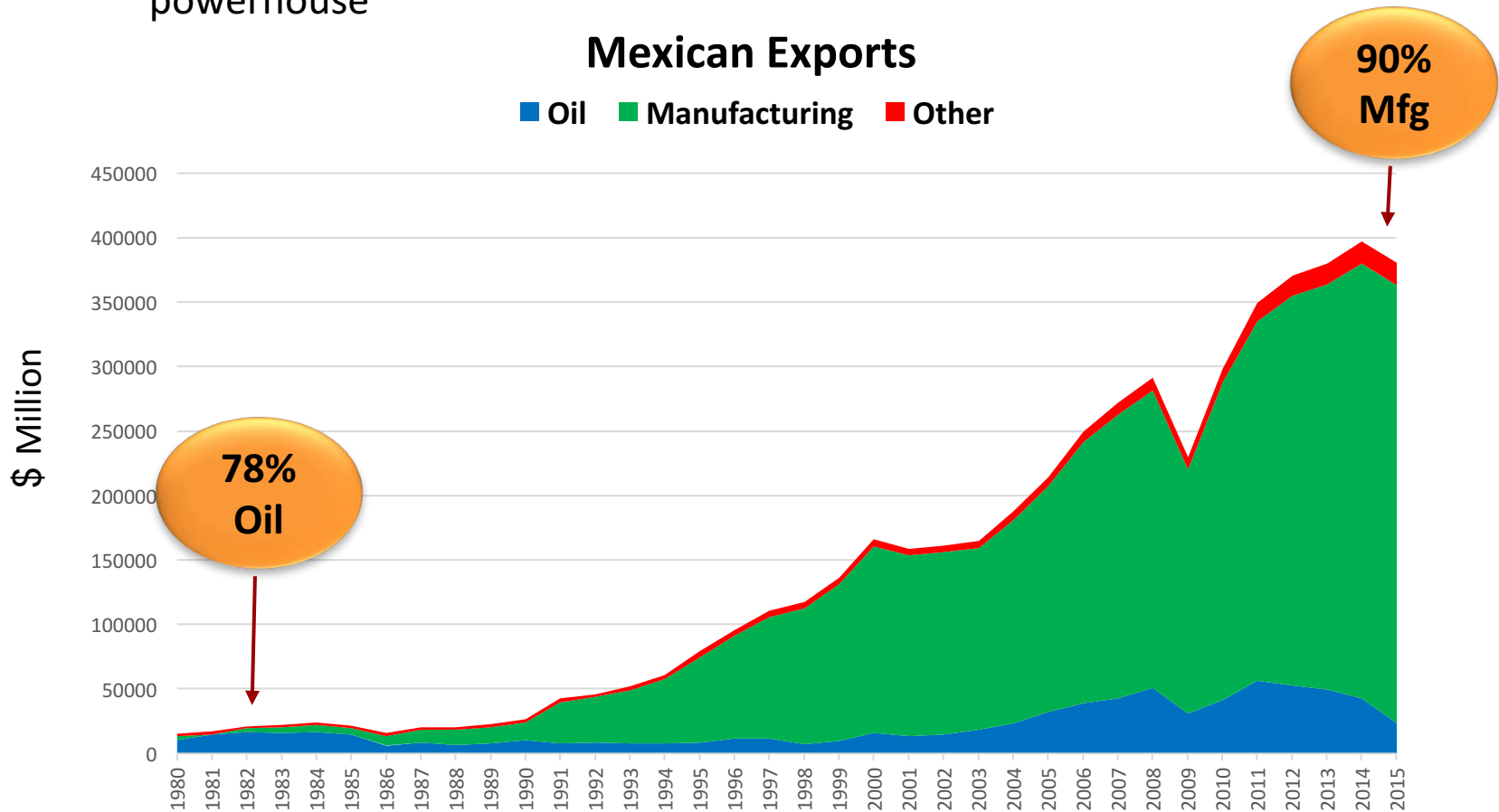
Mexico's trade policy has provided the backbone for growth in the economy



# Mexico has also become a diversified export-oriented economy

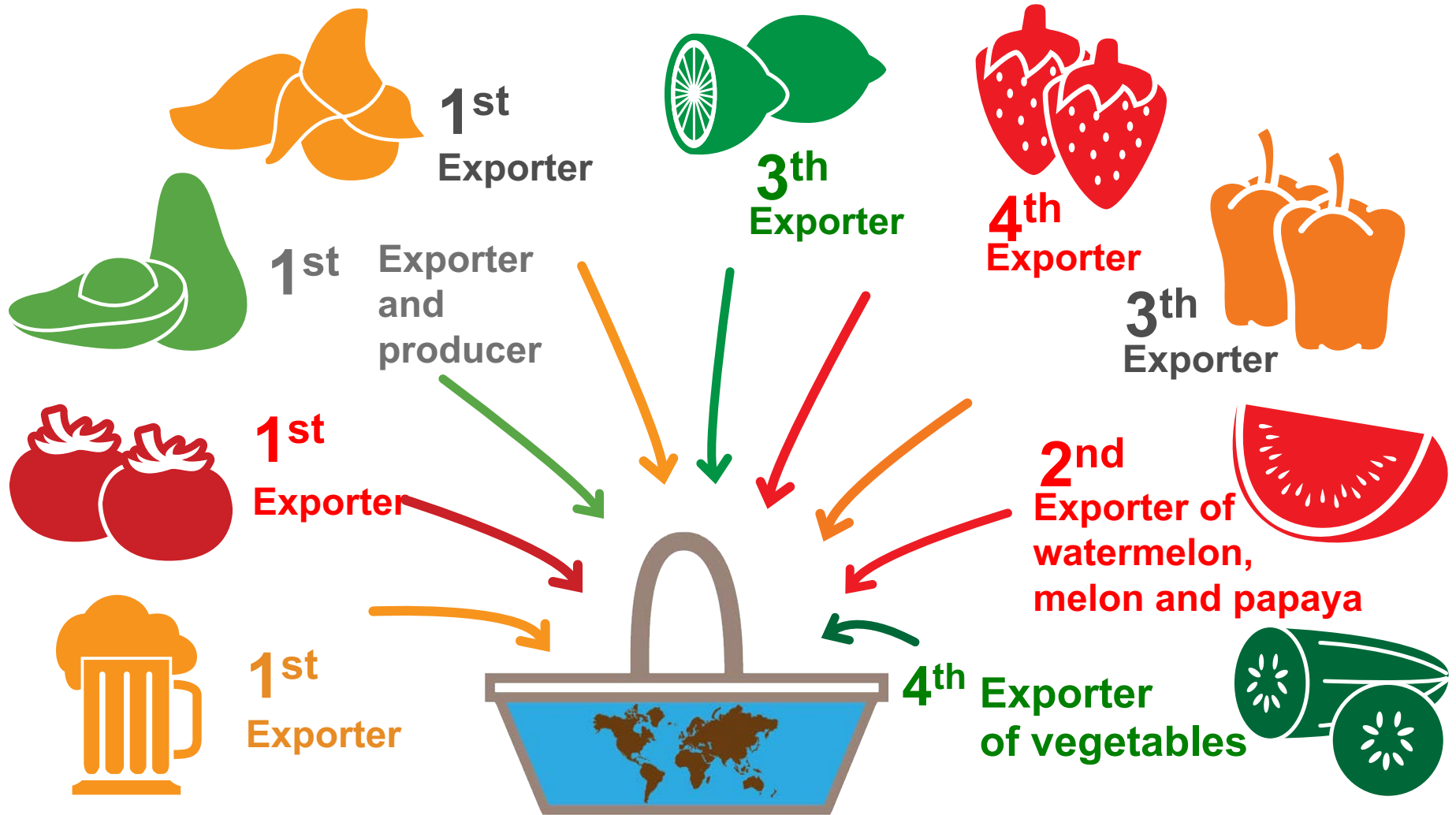
Over two decades of sound macroeconomic policies & free trade policies are paying off:

- Mexico has transformed its export structure into a manufacturing global powerhouse



Source: SE-NAFTA with data from INEGI

# Mexico is... a leader in the agrifood sector:



# Mexico is... a leader in advanced industries:



## AEROSPACE

- Mexico is the 6<sup>th</sup> supplier to the American aerospace industry.



## IT

- 3<sup>rd</sup> largest exporter in the world.



## ELECTRIC- ELECTRONIC

- Leading flat television screen exporter in the world.



## AUTOMOTIVE AND AUTO PARTS

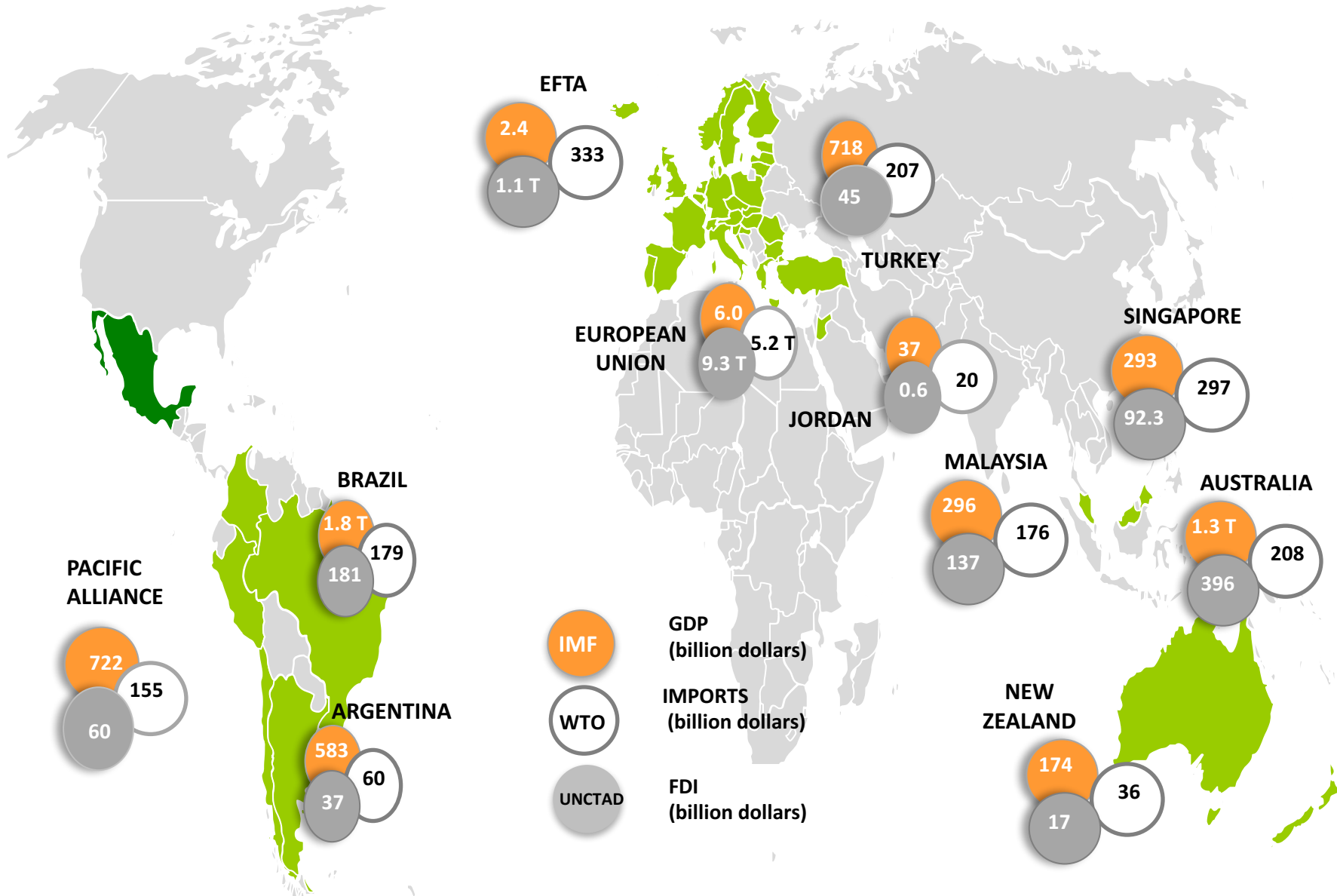
- 7<sup>th</sup> producer and 4<sup>th</sup> exporter globally of new light vehicles in the world.

# Main Mexican Exports





# Mexico's ambitious ongoing trade negotiations



Mexico is on the list of the top 10 countries to invest in 2017

# North America: a dynamic economic powerhouse

NAFTA created a thriving regional market of 480 million people and a combined GDP of over \$20 trillion.



Today NAFTA partners make up

- 15% of world trade,
- 28% of global GDP, and
- 14% of foreign direct investment inflows.

Since 1994, intra-NAFTA trade has nearly quadrupled, exceeding a trillion dollars in 2016.



# Since NAFTA, U.S.-Mexico trade has multiplied by six

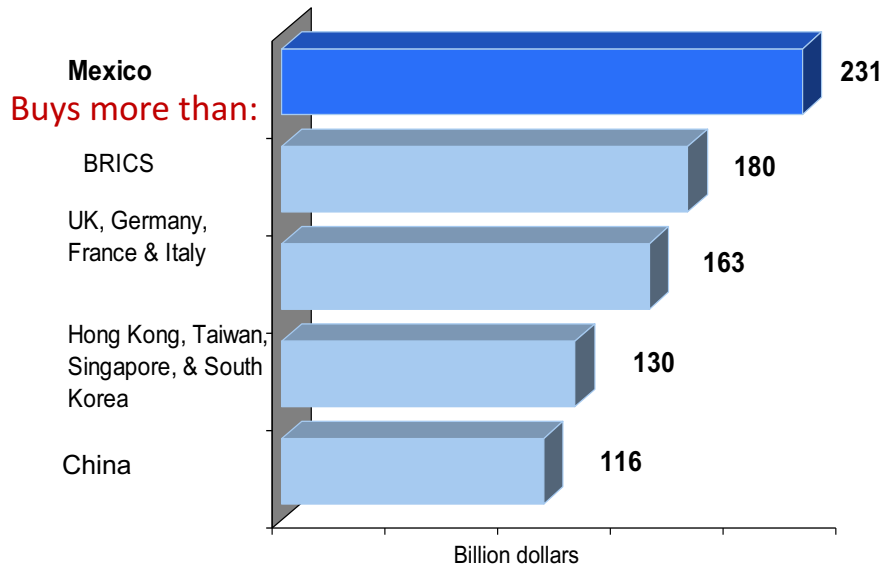
- Mexico is the U.S.' third-largest trading partner
- \$1.5 billion dollars in products are bilaterally traded each day



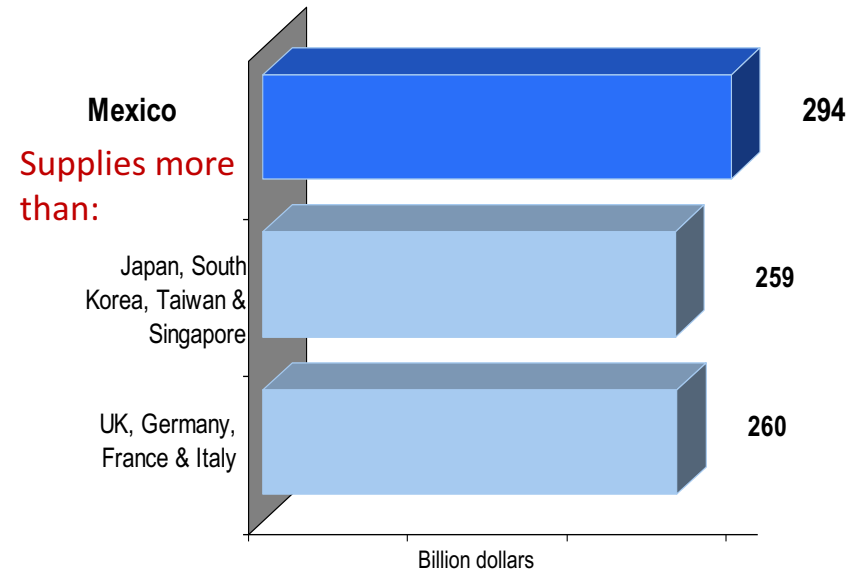
# Mexico is the U.S.'s second-largest export market and second-largest supplier of goods

- U.S. exports to Mexico reached \$231 billion last year... more than 16% of its sales worldwide.
- U.S. imports from Mexico reached \$294 billion. Mexico has a market share of 13% of US total imports.

U.S. Exports 2016



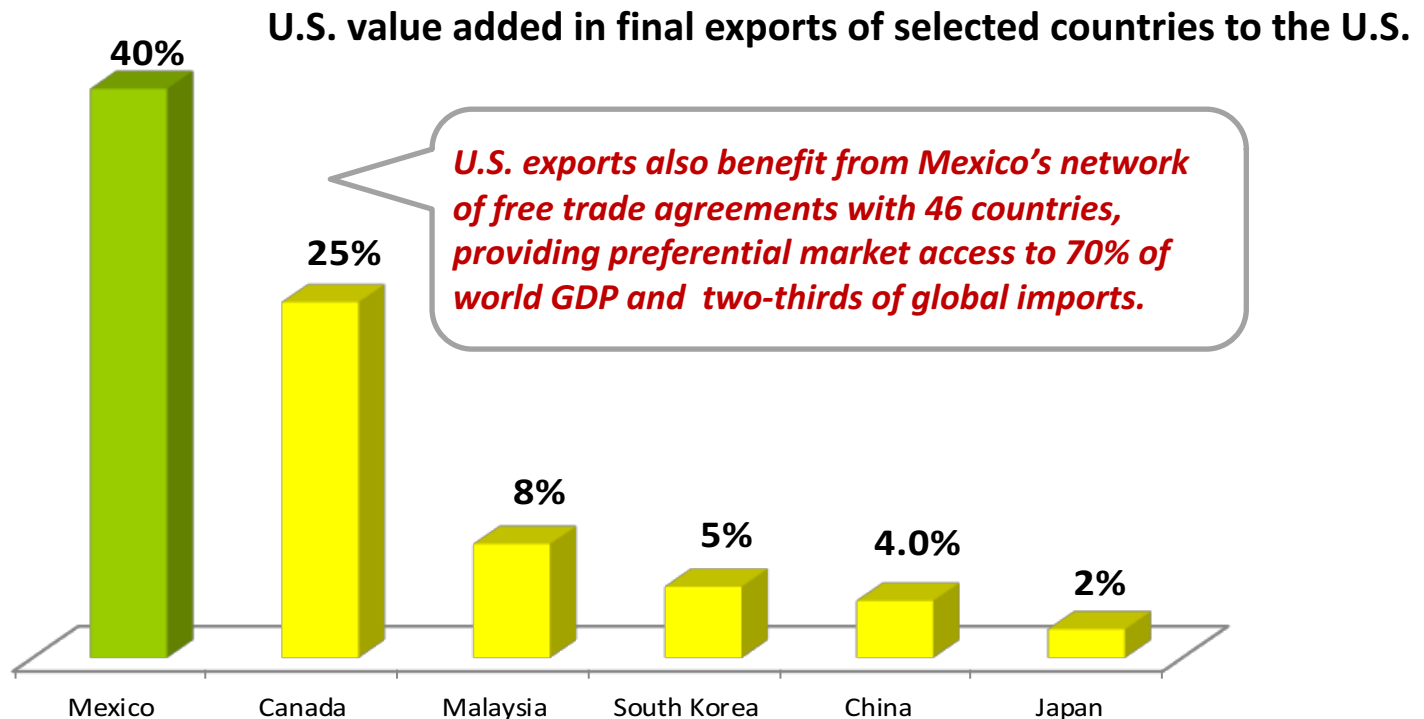
U.S. Imports 2016



# US-Mexico strategic partners

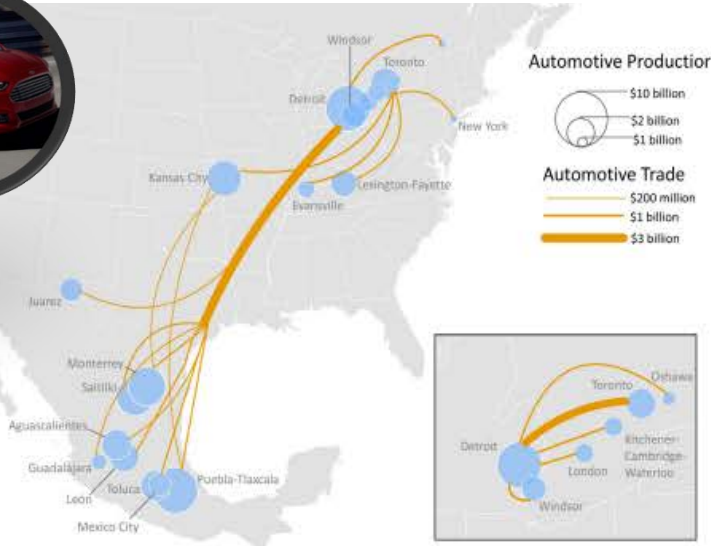
**When Mexico exports, the United States exports.**

There is a 40% U.S. value-added in Mexico's exports to the U.S.



**Mexico and the United States do not simply trade goods;  
we work together to manufacture them**

# US-Mexico trade is diversified and highly integrated, strengthening supply chains in key industries

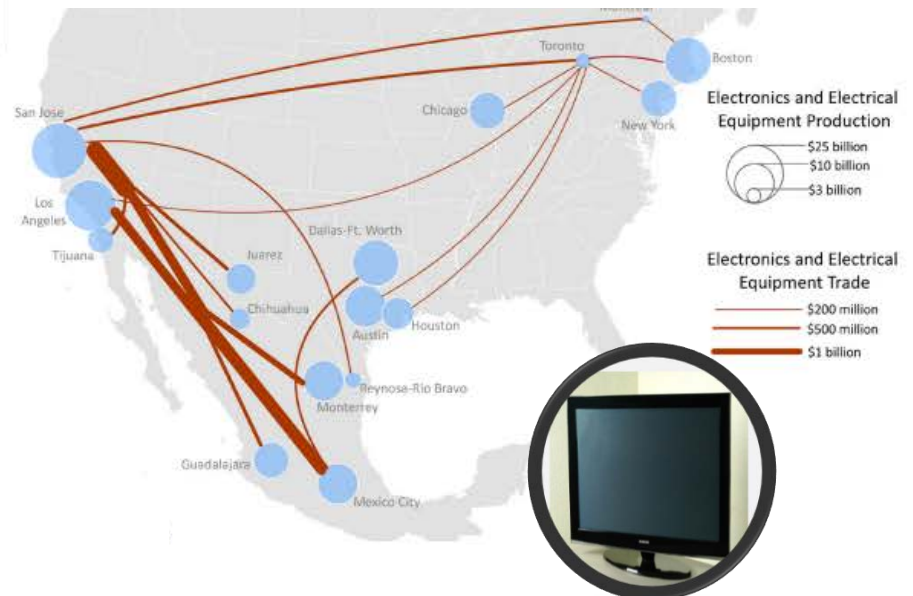


## AUTO & AUTO-PARTS

- Mexico is the 7<sup>th</sup> largest producer and 4<sup>th</sup> exporter globally of new light vehicles in the world.
- \$123 billion dollars in cars and parts are traded between Mexico and the U.S. annually.
- 11% of light vehicles sold in the U.S. were produced in Mexico.
- Mexico is the main auto parts supplier to the U.S. ; it is the 5<sup>th</sup> largest in the world.

## ELECTRIC-ELECTRONIC

- \$143 billion dollars in electrical and electronic equipment are traded between Mexico and the U.S. per year.
- Mexico is the leading home appliance exporter in Latin America, and the 6<sup>th</sup> globally.

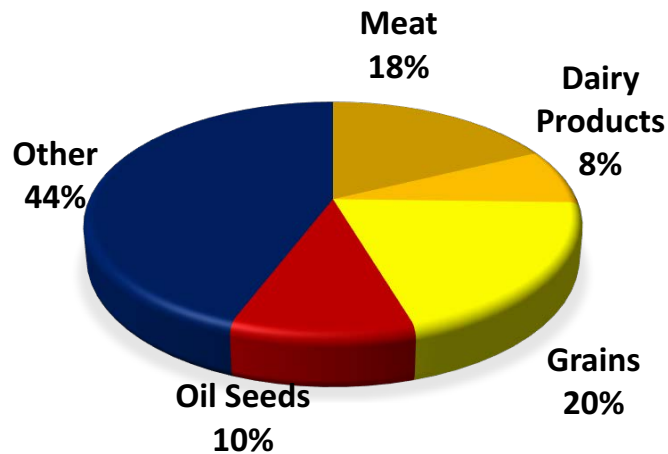


Source: SE with data from Brookings Institution, US Census Bureau, Banxico, and Comtrade.

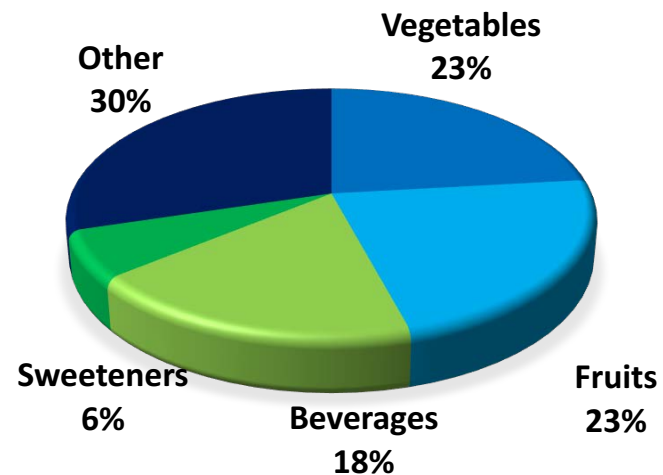
# NAFTA promotes trade specialization

- US exports are concentrated in grains, meat and oilseeds, accounting for 50% of agricultural exports to Mexico.
- Nearly 50% of Mexico's agricultural exports to the US are fruits and vegetables.

**US agricultural exports to Mexico 2016**  
**\$18 billion**



**US agricultural imports from Mexico 2016**  
**\$24.8 billion**



Source: USDOC. Agricultural products include chapters 1 – 24 HS

## NAFTA also promotes a more integrated North American agricultural market

- The U.S. exports \$5.6 billion in grains, oilseeds and animal feed to Mexico, and Mexico produces cattle, hogs and poultry (2016).
- Mexico exports \$590 million of bovine calves to the U.S. and imports \$3 billion in meat and poultry from the U.S. (2016)

Mexico contributes with 35% of the U.S. total bovine animals imports



Mexico accounts for 20% of the U.S. total meat exports

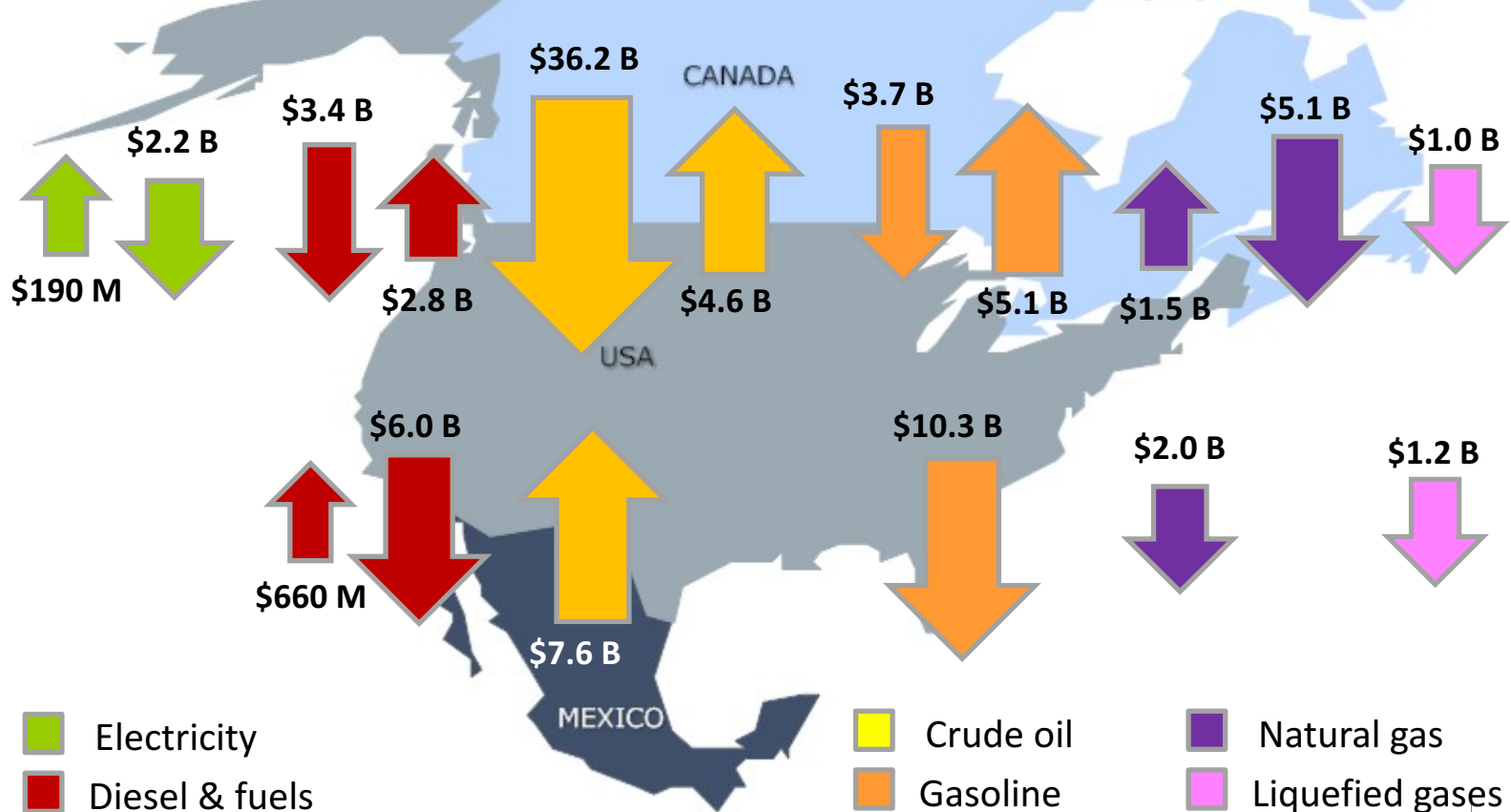


# North America is emerging as a global energy power

- Mexico is the US' largest energy market, consuming over \$20 billion in energy goods
- Canada is the US' biggest energy supplier, providing over \$54 billion in commodities

## 2016 US trade in energy with Mexico and Canada totals \$100 billion, accounting for 40% of its total trade

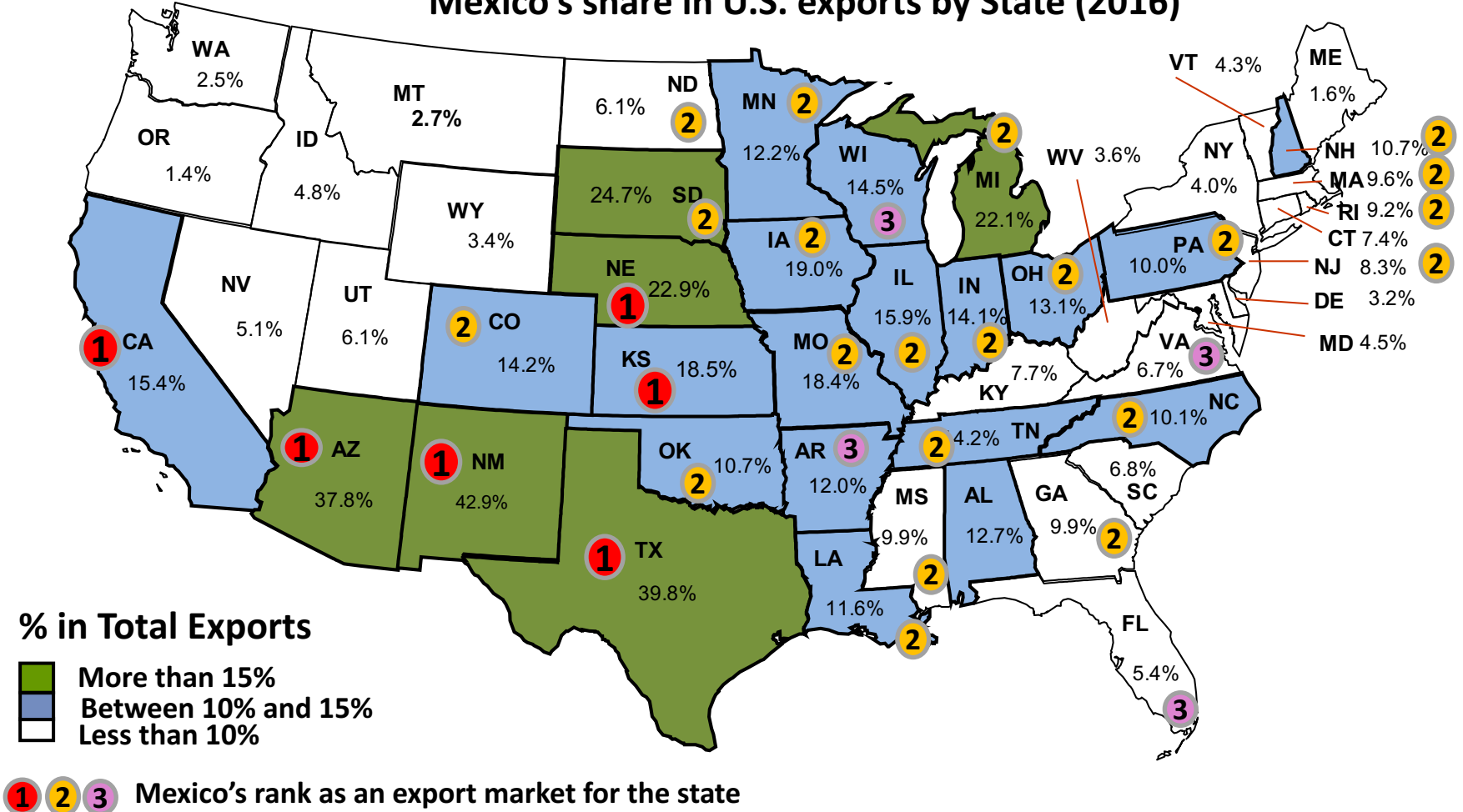
Source: SE-Washington with data from USDOC



# Mexico is an important export destination for each U.S. state

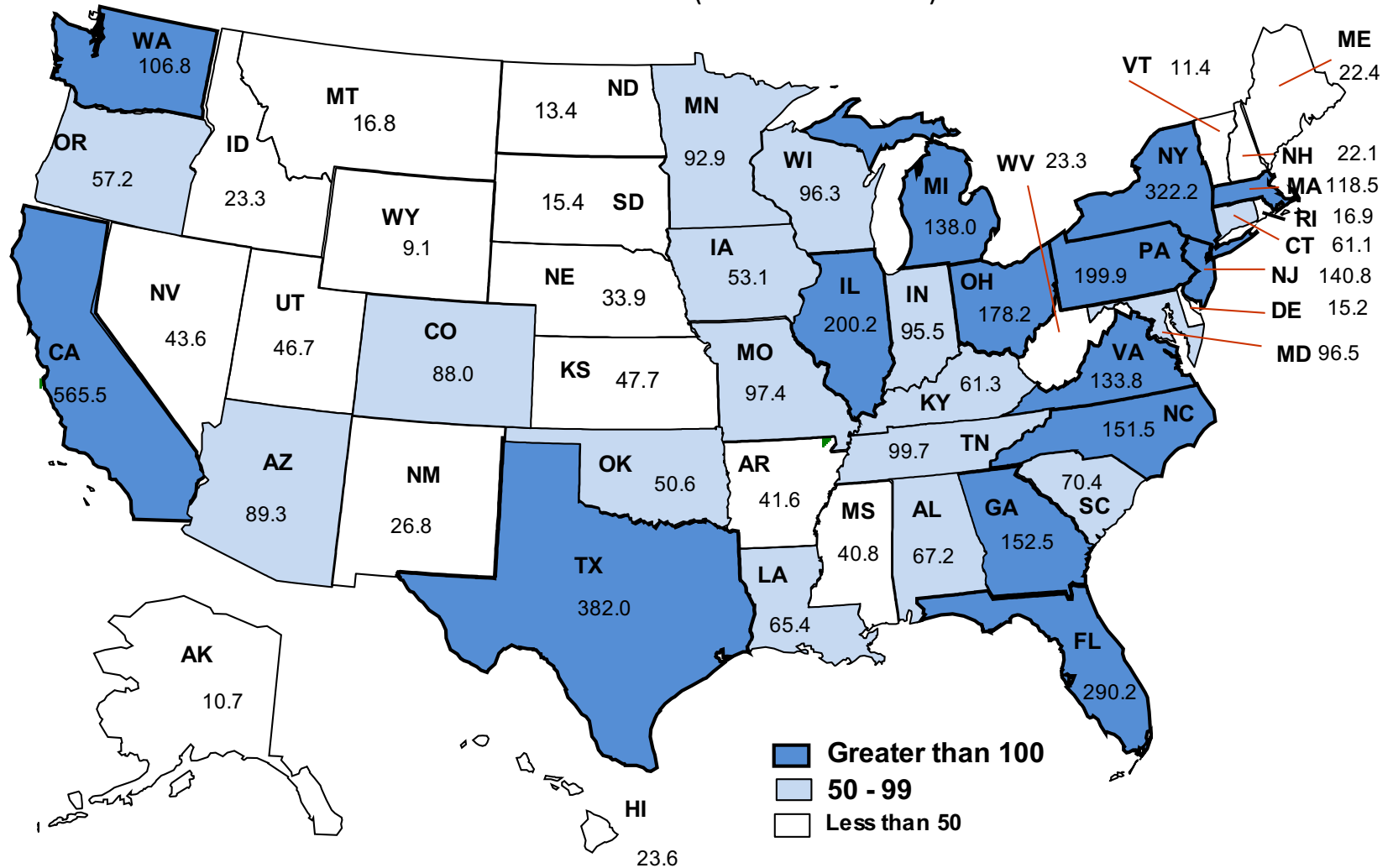
- Mexico ranks among the top 3 export markets for 31 states

Mexico's share in U.S. exports by State (2016)



# Nearly 5 million U.S. jobs depend on trade in goods and services with Mexico

U.S. Employment Related to Trade in Goods and Services with Mexico  
 (Jobs in thousands)



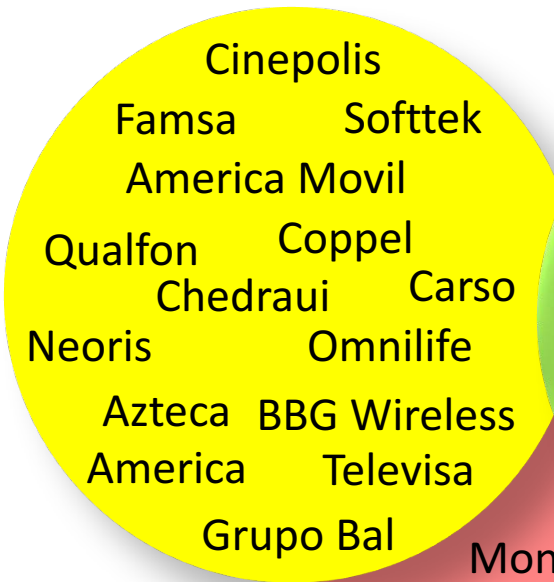
Source: Jobs figures are from 2014, according to *Growing Together: Economic Ties between the United States and Mexico*, Mexico Institute, Woodrow Wilson International Center for Scholars, 2016.

# Mexican investment strengthens US competitiveness and supports US jobs

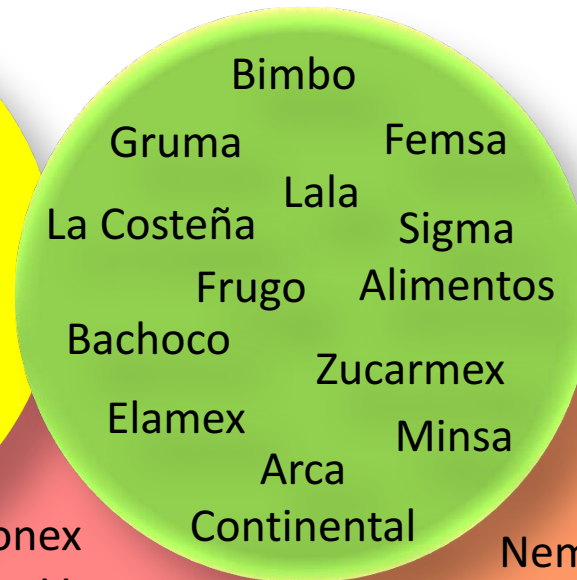
Mexican companies have:

- Invested over **\$52 billion** in the US; and export more than \$1 billion to the global market
- Over 6,500 businesses in the US, providing over 120,000 jobs

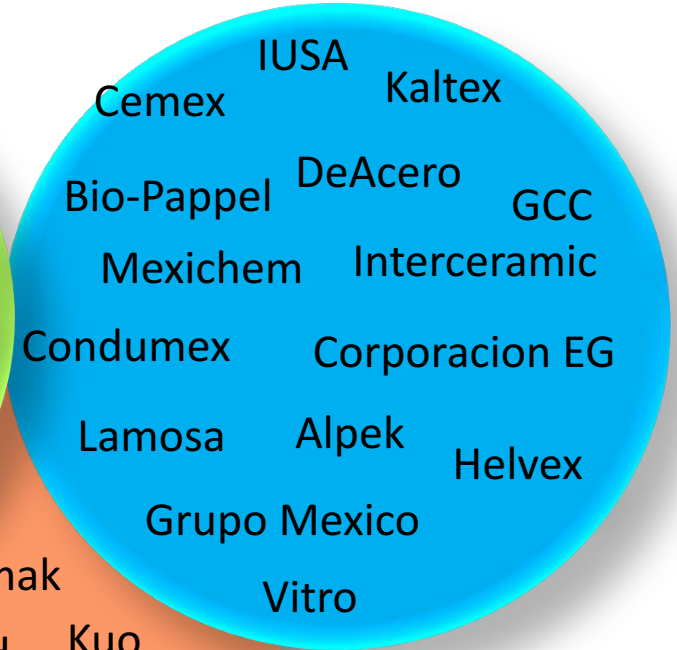
## Services



## Food



## Manufacturing



## Financial services



## Automotive

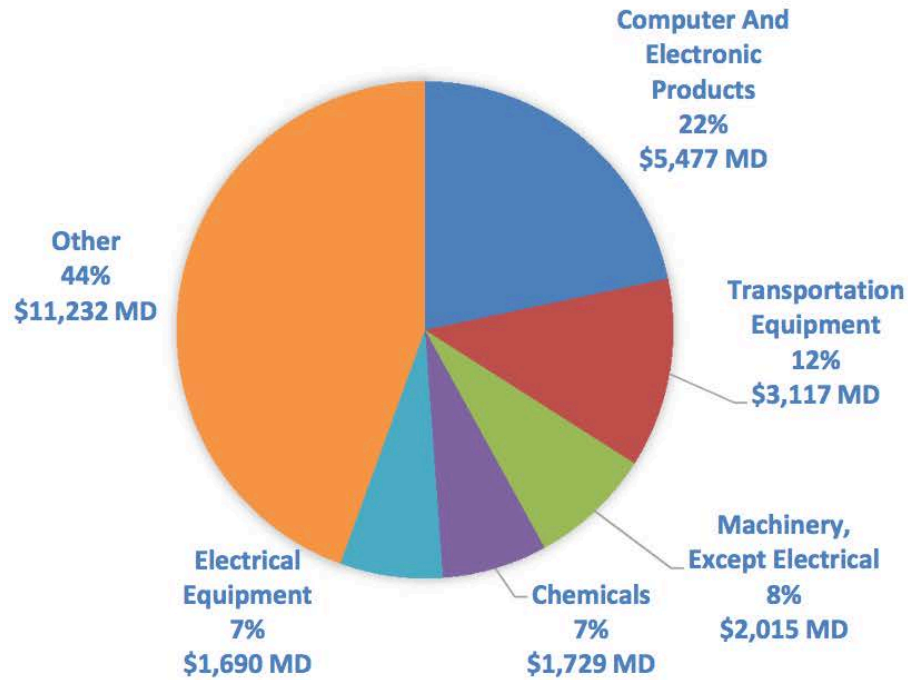
## California - Mexico Trade Relationship

- In 2016, trade between California and Mexico surpassed **\$71 billion**
- Mexico is California's **largest** export market.
- Mexico accounted for **15.4%** of California's exports worldwide in 2016.

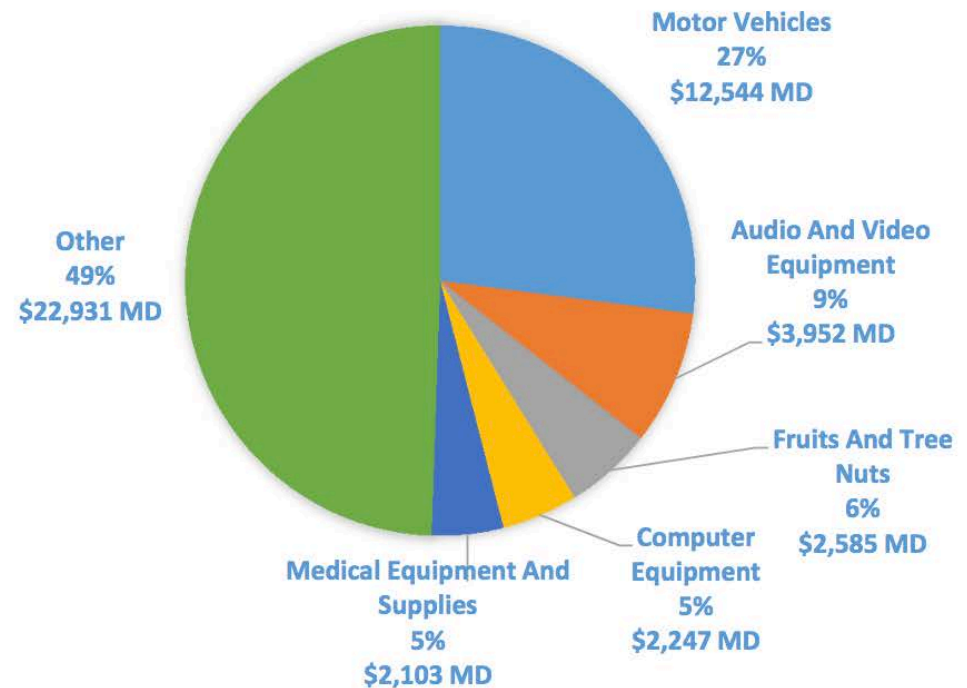


# California – Mexico trade by industry

## Top Export Industries to Mexico

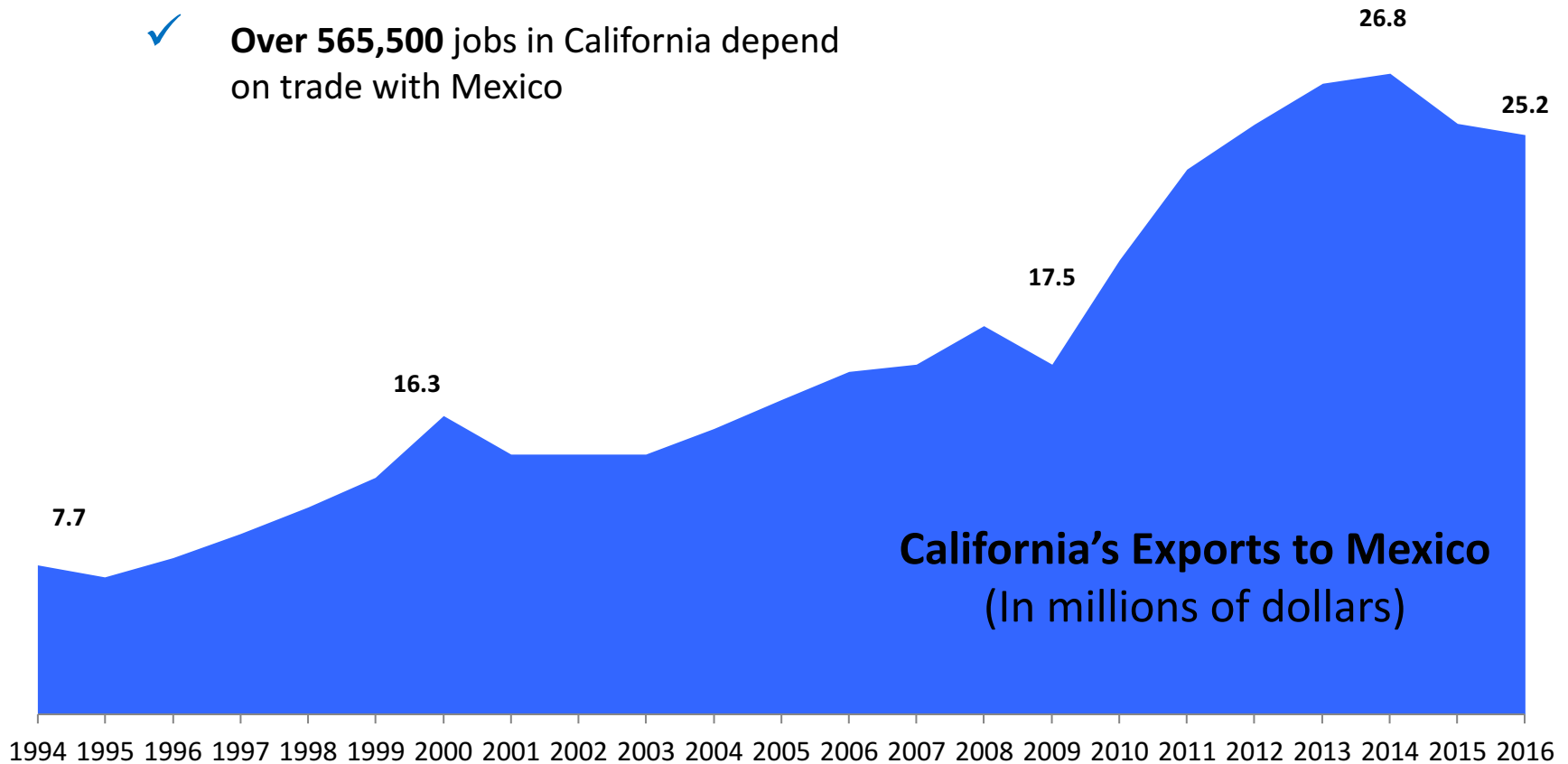


## Top Import Industries from Mexico



# California's Exports to Mexico since NAFTA

- ✓ **287%** increase in California's exports to Mexico under NAFTA
- ✓ **Over 565,500** jobs in California depend on trade with Mexico





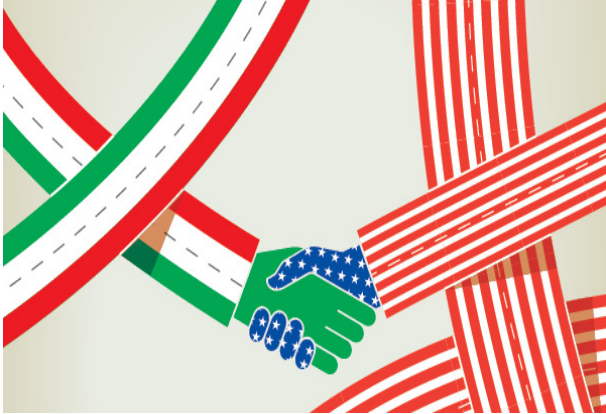
# Mexican investment support jobs in California

Mexican companies operate 735 business establishments in California and provide 13,296 local jobs.





# Challenges



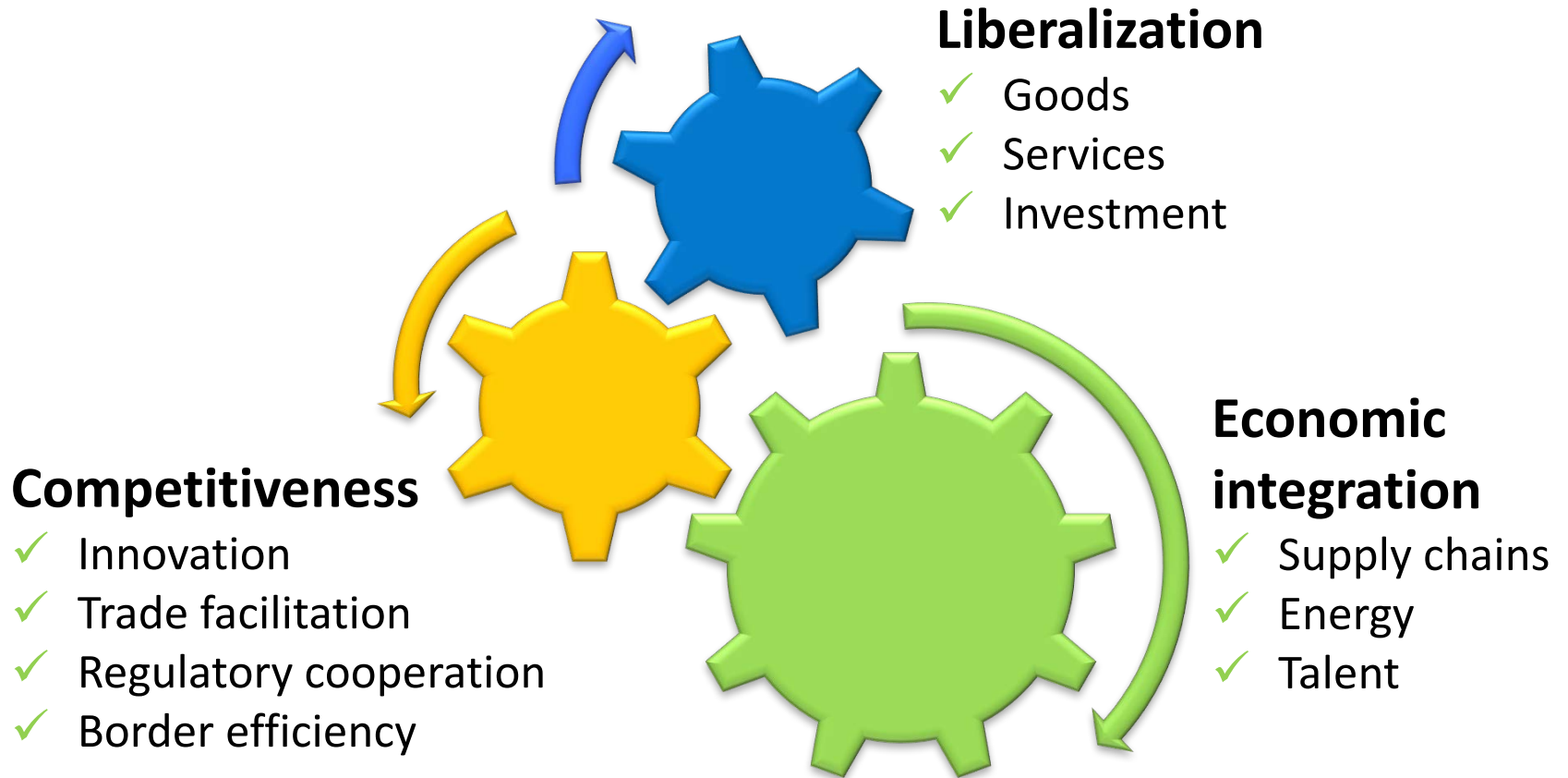
- Expand NAFTA benefits to all sectors and regions of the three countries.
- Streamline regional integration.
- Strengthen regional value chains.

- Efficient border management.
- Develop new elements of competitiveness.
- Rising protectionism.



# NAFTA 2.0

NAFTA modernization should rely on:



## NAFTA 2.0

A NAFTA 2.0 should be based on three basic elements:

- A shared assessment that reflects a balanced perception of the benefits that each country has gained;
- A recognition that there is room for modernization, and
- A win-win-win proposition; the outcome of this process must generate benefits for all.

## It is time to speak up in favor of free trade

When skeptics accuse free trade agreements (FTAs) of job losses in U.S. manufacturing they focus on the wrong culprit:

- Globalization and technological changes have led to adjustments in the manufacturing sector.
- FTAs are not the problem. They are part of the solution.
- Mexico and the United States must continue promoting free trade and regional integration, otherwise we will lose international competitiveness.
- Both countries need to engage in an educational campaign that counteracts the fact-free, protectionist voices that are dominating the media.
- Governments cannot do this alone: the participation of businessmen, consumers, academia and civil society is needed to tell the real story.
- We need to better explain how free trade creates jobs, promotes innovation, and provides societies with the tools to face the challenges of globalization.

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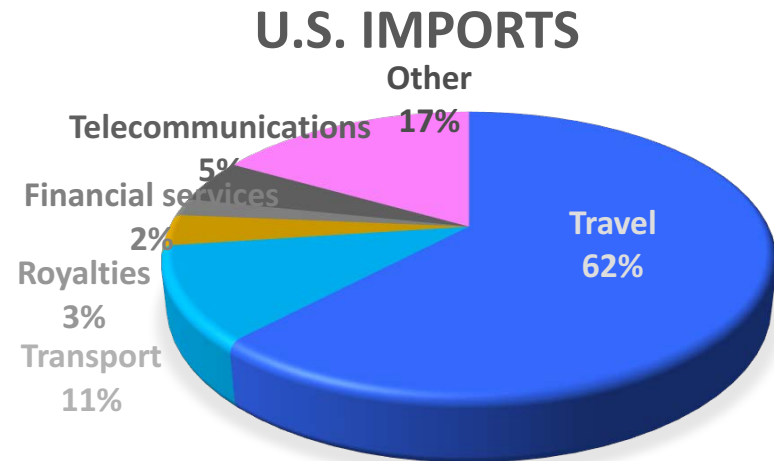
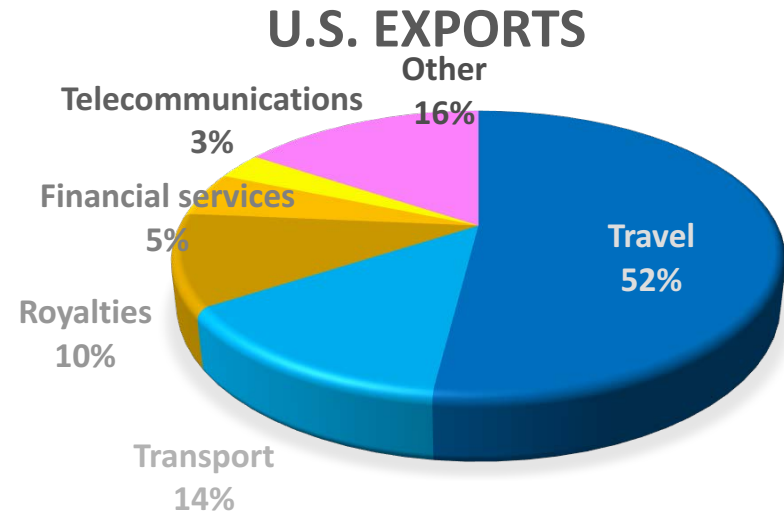
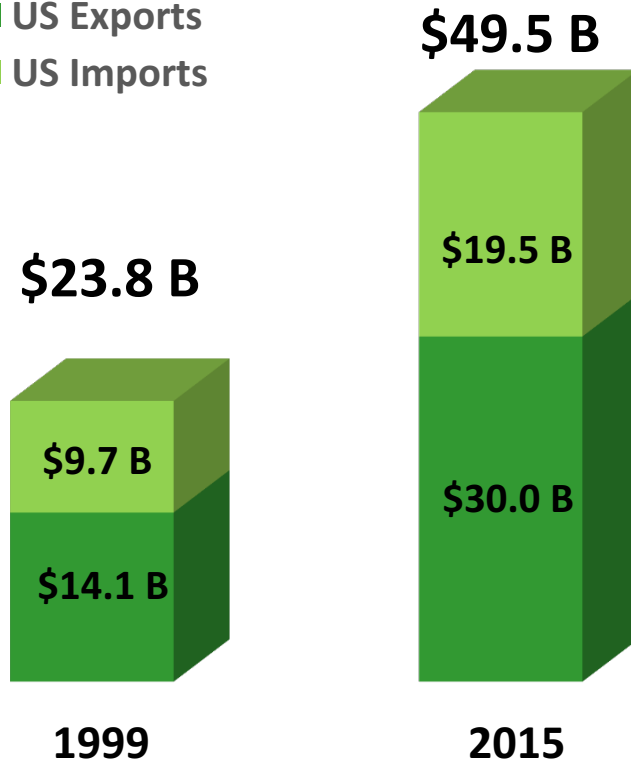
**More information:**

**[www.naftamexico.net](http://www.naftamexico.net)**

# U.S.-Mexico trade in services has doubled since 1999

## U.S.-Mexico Trade in Services

■ US Exports  
■ US Imports

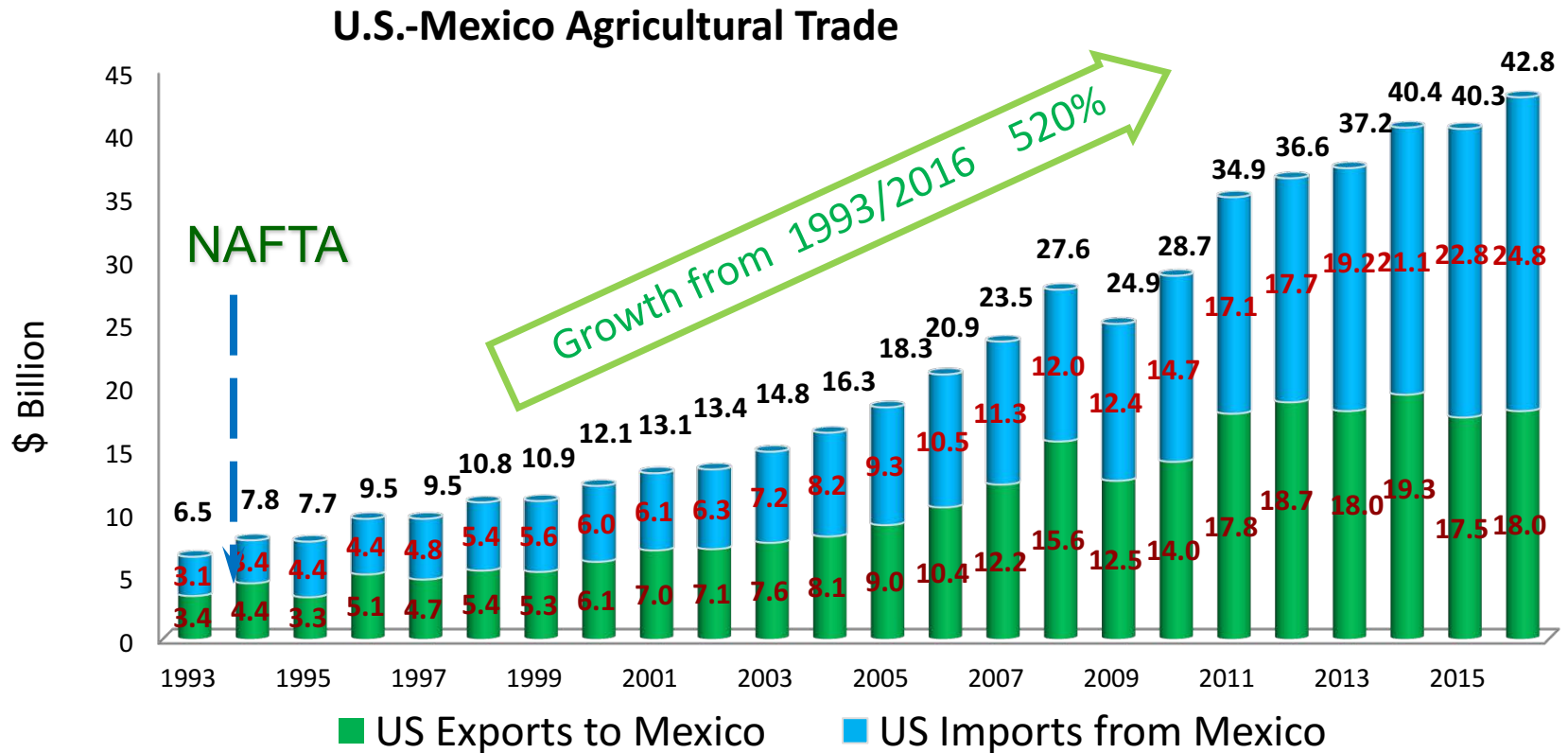


Source: USDOC with data from BEA. Financial services include financial and insurance services, telecommunications include IT services, royalties include charges for the use of intellectual property.



# US – Mexico agricultural trade has multiplied by five since NAFTA

- Mexico is the 3<sup>rd</sup> destination for US agricultural products and its 2<sup>nd</sup> largest source of imports



Source: USDOC. Agricultural products include chapters 1 – 24 HS

# California – Mexico trade by main products

## Exports to Mexico: millions of US dollars

Product	2016
Parts for Motor Vehicles	1,186
Electric Apparatus for Line Telephony	1,058
Oil from Petrol & Bitum	814
Electronic Integrated Circuits	801
Motor cars & Vehicles	615
Automatic Data Process Machines	587
Medical, surgical, dental products	535
Electrical Apparatus	453

## Imports from Mexico: millions of US dollars

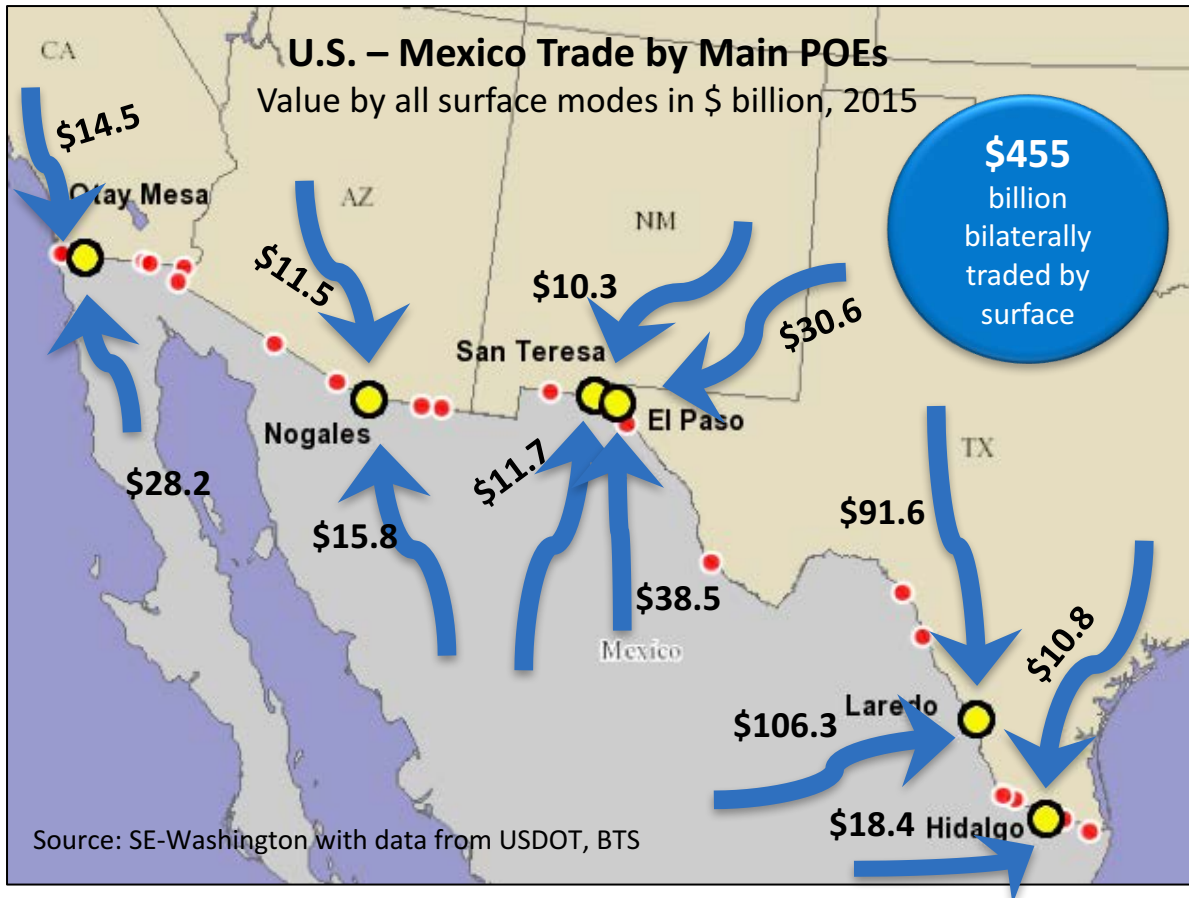
Product	2016
Motor Cars & Vehicles for Transportation	9,203
TV Recorders	3,719
Motor Vehicles for Transport of Goods	3,004
Automatic Data Process Machines	2,180
Medical, surgical, dental products	1,877
Fresh Fruit	1,261
Parts for Motor Vehicles	1,056
Semiconductor Devices	1,052



# Cross-border trade facilitation

Set a concrete goal for reducing the maximum time for crossing the border – some have even gone as far as suggesting a maximum crossing time of **30 minutes**.

- 1 million people and 300 thousand vehicles crossing the border daily.**
- 1 million dollars in products are traded every minute along the border.**



- **Border infrastructure:**  
 To develop strategic corridors to link major industrial clusters on both sides of the border.
- **Border regulation:**  
 to harmonize customs procedures and requirements.



# US timeline for negotiation using TPA

