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# TRADE BETWEEN THE UNITED STATES AND MEXICO

By Jose Gonzalez Rondon, SIOR







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**M**any things have been said about the commercial relationship within the U.S. and Mexico.

Several months ago, politicians created an adverse atmosphere on such commercial relationships in spite of obtaining votes, popularity and acceptance amongst a certain base of voters.

Most of the information has been said without truly funded basis. The lack of real knowledge on the commercial relationship between both countries is scary since bad decisions on setting the new path for commerce on either side can bring serious consequences to both countries, and certainly the whole NAFTA block.

Roughly two thirds of Mexico's commerce is with the United States, becoming its largest trading partner.

On the other side of the coin, statistics from Banco de Mexico state that the U.S. sold more than \$248 billion worth of different products to México.

This trade relationship represents an important amount of jobs in the U.S. territory for American workers. Farmers calculations refer to at least 5.1 million jobs in the U.S. Trade with Mexico is fundamental for the U.S. Economy. In the last 20 years, as a result of American trade, U.S. trade dependent jobs have increased as well; these kind of jobs have grown three times faster than U.S. jobs in general.

Trade with Mexico has represented an important impact on manufacturing and services sectors, creating better conditions for workers, and consequently more income per capita catalyzing internal consumption on other sectors like construction, education, tourism, entertainment, etc. Obviously, this trend

generates more jobs that are not first-hand related with trade, but certainly have a positive impact on the American economy.

Historically, Mexicans have purchased U.S. products for decades; Mexicans simply love to buy them due to a long history of aspirational behavior in trying to imitate the American way of life.

On a recent border forum, the vice president for the National Association of Manufacturers "NAM," Linda Dempsey said "Mexico is the second consumer of U.S. goods, Mexico buys as nearly as much as we buy from Mexico."

The economy for American border states relies significantly on trade with Mexico. Texas is the state that exports most goods to Mexico. Statistics reflect that in 2015, this border state exported US \$95 billion to Mexico, representing 37 percent of its total trade. Oil, computers, electronics, poultry, and transportation equipment represent the products with higher demand in Mexico.

Nearly 565,000 jobs depend directly on trade with California's exports to Mexico. Figures show that California exported US \$26.8 billion in 2015.

According to data published by the U.S. Department of Trade and the US Department of Commerce, southern Border States represent nearly half of the trade to Mexico, 670,000 jobs in the so-called "Rust Belt" area depend on exports to Mexico representing US \$36.4 billion.

Computers, food, electronics, plastics, minerals, IT components, oil, and transportation equipment, are the primary export to Mexico from the border states, while the states in the "Rust Belt" export chemicals, machinery, transport equipment, metals, automobiles, and food. In Kansas, food and machinery mainly represent U.S. \$11 billion in exports to Mexico.

Regarding the automotive industry, imports from Mexico to the U.S. represent

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\$340 billion over a five-year period, however US \$136 billion were exported back to Mexico.

Forty percent of components in a light vehicle produced in Mexico are originated in the U.S., reported the U.S. Department of Commerce.

An automotive products global supply chain within the NAFTA block has been created since the free trade agreement started 20 years ago. Canada and Mexico have provided assembly and parts bringing competitiveness to the American automobile industry. Modifying NAFTA will not bring back American jobs as many may think.

Today there is simply not a sufficient base of first-, second-, and third-tier supplier companies established in the country to support the demand of new tech manufacturing companies. This implies that many components would still have to be imported from other countries with a higher taxation impact due to the new trade policy. Therefore consumers would have to pay higher prices for the same products they are used to purchasing today. Going back to the heavy manufacturing days would result in an enormous cost hike and inflation rates would skyrocket to unseen levels.

Different personalities have expressed different opinions on changes to the

North American Free Trade Agreement, for example NAFTA has claimed:

"Our corn, our soybeans, our pork, our beef, particularly our meat products, turkey included, much of that goes to Mexico, our number one export destination. Thirty-seven counties in Iowa receive over half of their income from agriculture. Much of agriculture income is derived from exports, so it's critically important to rural Iowa that we maintain our export opportunities." Craig Hill, president of the Iowa Farm Bureau.

"We don't want to see a trade war with one of Utah's largest trading partners". Derek Miller, President and CFO of World Trade Center Utah.

"NAFTA has helped create important markets for American-produced goods and services, but it is more than 20 years old and it makes sense to re-examine it". Jamie Dimon, Business Roundtable Chairman. Business Roundtable is an association of chief executive officers of leading US companies working to promote sound public policy and thriving U.S. economy.

"Mexico is an ally, not our competitor" Jon Barela, The Borderplex Alliance's CEO.

NAFTA has been an unparalleled success in the U.S., Canada, and Mexico, but if it may be revised the three countries must come with a better deal. ▼