

T-MEC REPORT



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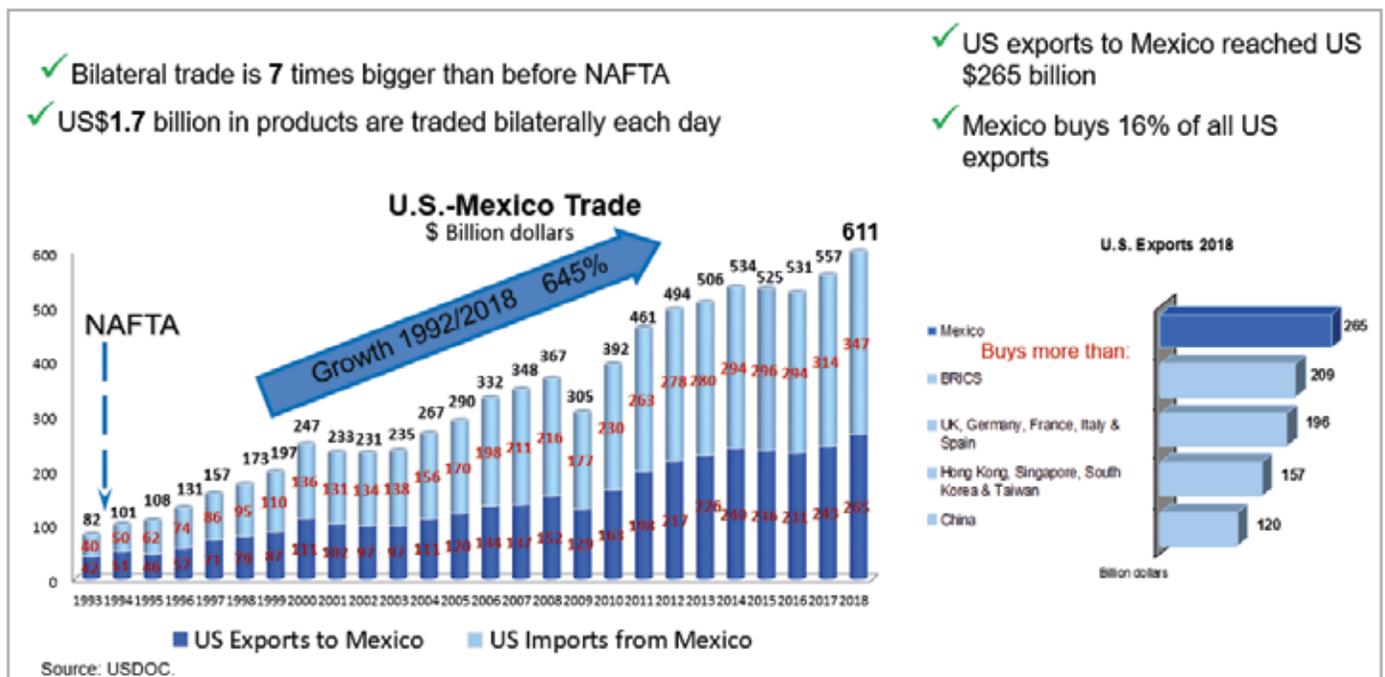


ECONOMÍA
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US – MEXICO TRADE RELATIONSHIP

The economies of Mexico and the United States (US) are deeply intertwined. Not only do we trade between us, but more important we produce together for the world market.

In 2018, Mexico was the US' **third largest** trading partner, ranking second both import and export markets. During the first quarter of 2019, for the first time in history, Mexico became the 1st US trading partner with a total bilateral trade of US\$151 billion; Mexico share of US total trade is 15%.



US exports to Mexico in 2018 were greater than US' exports to the four major economies in Europe combined (United Kingdom, Germany, France and Italy = US \$ 183 billion). Sales from US to Mexico were also higher than exports to the BRICS countries combined (Brazil, Russia, India, China and South Africa = US \$ 209 billion).

¹ Source: US Census Bureau

Mexico is a strategic partner for the US and ranks in the first positions as an export destination for 31 states of the US: 1st export market for 7 states, including border states (California, Arizona, New Mexico and Texas), 2nd largest market for 19 states and 3rd largest for five states².



In 2018 trade in services between Mexico and US totaled US\$ 59.6 billion³:

- Exports of US services to Mexico: added to US\$ 33.8 billion.
- Imports of services to US from Mexico: reached US\$ 25.8 billion.

NAFTA has strengthened supply chains in North America. On average, Mexican exports incorporate 40% of US content.⁴

Automotive Industry

The North American region is a global export hub for the automotive sector and ranks second as world exporter. According to the AMIA (*Asociación Mexicana de la Industria Automotriz*)⁵, in 2018, for the first time in history, Mexico ranked sixth in world production of vehicles. While the 2017 International Organization of Automobile Manufacturers' (OICA)⁶ report positioned Mexico as number one exporter of light vehicles in Latin America and fourth worldwide⁶.

• Mexico and US trade in vehicles and auto parts reached US\$ 146 billion⁷.

• In 2018, the Mexican automotive industry exported to the world US\$ 58 billion in motor vehicles, representing 15.3% of Mexico's total exports⁸.

²Source: SE-Office in Washington D.C. with Wisertrade data

³Source: SE-Washington with data of USDOC-Bureau of Economic Analysis.

⁴Koopman, Powers, Wang, and Wei, National Bureau of Economic Research (NBER) Working Paper 16426, September 2010, reviewed march 2011 pag. 38, https://www.bea.gov/about/pdf/NBER%20working%20paper_1.pdf

⁵Source: AMIA Report (March 2019)

⁶Source: OICA (2017 data)

⁷Source: SE with US Census Bureau data

⁸Source: SE with US Census Bureau and Bureau of Economic Analysis data

Mexican imports of high-value US auto parts have given a boost to growth of the US auto industry. In 2018, Mexican carmakers acquired US\$ 29 billion in auto parts⁹, an amount that represented one third of total US auto parts exports.

motor vehicles to the US than in exports to third countries. As a result of this, US value-added content amounts to 38% in Mexican automobiles.

Due to the high level of economic integration between Mexico and the US, US inputs are used relatively more in Mexican exports of

Agriculture

Under NAFTA, trade in the agricultural sector has shown great dynamism. Synergies in agricultural trade are one of the strengths of the new USMCA. The difference in ecosystems and climates allows Mexican and American consumers to have a wider choice of high quality fresh products, animal proteins and processed foods throughout the year, at affordable prices.

NAFTA has also had a great positive impact on trade in the agricultural sector by eliminating quantitative and qualitative restrictions on imports and exports.

- Mexico is the second market for US agricultural exports with sales of US\$ 19 billion¹¹.
- Mexico is the main supplier of agricultural products with US\$ 27 billion in 2018.

- US exports are concentrated in grains, meat and oilseeds, which represent 54% of agricultural exports to Mexico (e.g. yellow corn, soybeans, wheat, beef, pork and poultry, among others)¹².
- Mexico is the number one market for US exports of apples, milk powder, yellow corn, among others.
- The US is the number one market for Mexican exports of beer, tomatoes, avocados, berries, nuts, cucumbers, among others¹³.

Practically, all breakfasts and meals served in the US contain fresh products grown in Mexico (or in the US by Mexican companies), including baked goods, sausages, avocados, tomatoes, lettuce and fresh vegetables, onions, peppers, strawberries and berries, beer, mezcal and tequila.



⁹ Source: SE with US Census Bureau data.

¹⁰ Source: University of Harvard, Disentangling Global Value Chains (Job Market Paper) por Alonso De Gortari (2017).

¹¹ Source: USDOT. Agricultural products included in chapters 1-24 of the Harmonized System.

¹² Source: Secretaría de Economía with USDOT data.

¹³ Source: Secretaría de Economía with Banco de México data.