Philadelphia, PA
July 16, 2020

Mexico

A trusted economic partner in USMCA

Producto T-MEC.

Integración comercial y productiva para el bienestar

ECONOMÍA
SECRETARÍA DE ECONOMÍA

Luz María de la Mora
Undersecretary for Foreign Trade

1. From NAFTA to USMCA

USMCA

- ✓ Certainty.
- ✓ Clear Rules.
- ✓ Maintains Free Trade.
- ✓ Preserves North American Integration.

1. Initial Provisions and General Definitions	12. Sectoral Annexes	23. Labor
2. National Treatment and Market Access for Goods	13. Government Procurement	24. Environment
3. Agriculture	14. Investment	25. Small and Medium-sized Enterprises
4. Rules of Origin	15. Cross-Border Trade in Services	26. Competitiveness
5. Origin Procedures	16. Temporary Entry	27. Anticorruption
6. Textiles and Apparel	17. Financial Services	28. Good Regulatory Practices
7. Customs and Trade Facilitation	18. Telecommunications	29. Publication and Administration
8. Energy	19. Digital Trade	30. Administrative and Institutional Provisions
9. Sanitary and Phytosanitary Measures	20. Intellectual Property	31. Dispute Settlement
10. Trade Remedies	21. Competition Policy	32. Exceptions and General Provisions
11. Technical Barriers to Trade	22. State-Owned Enterprises	33. Macroeconomic Policies
		34. Final Provisions

10 New Chapters

24 Modernized Chapters

From NAFTA to USMCA: Deeper integration among 3 partners

Regional Competitiveness

- Free trade in goods and services
- Regulatory coherence
- Investment liberalization
- SPS
- TBT

Inclusive and Responsible Trade

- SMEs
- Labor Rights
- Environmental protection
- Anticorruption

Certainty in Trade and Investments

- Dispute Settlement Mechanisms
- State-to-State
  Investor-State
- Trade Remedy Laws

Opportunities for the 21st Century

- Intellectual Property
- Digital Trade
- E-commerce
- Financial Services

2. The North American successful partnership

President Lopez Obrador´s visit to Washington, D.C. July 8th, 2020

- Mexico´s commitment to USMCA and the future of North America´s integration.

NAFTA created one of the most competitive and dynamic regions in the world

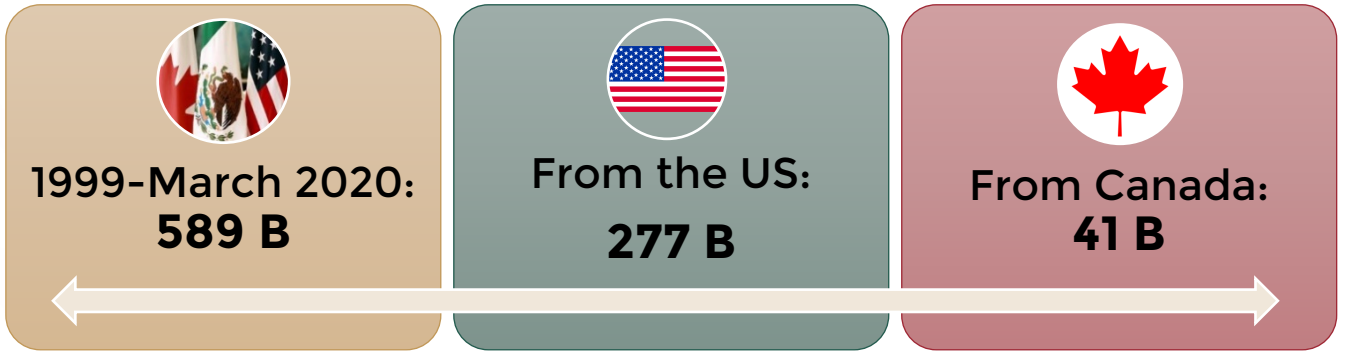
NAFTA

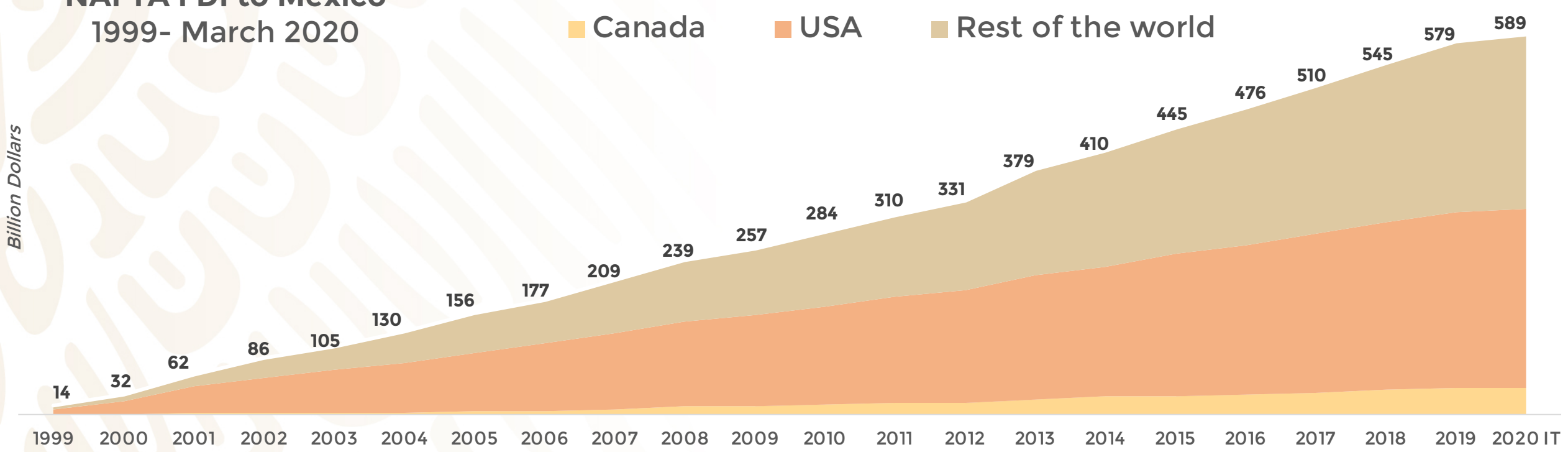
Population	GDP	FDI	Trade	Trade (Intra)
493 *Million people*	**$26** *Trillion dollars*	**$323** *Billion dollars*	**$6** *Trillion dollars*	**$1.2** *Trillion dollars*
6.5 % of world population	18.3% of world GDP | 2nd global economy (2019)	23.1% of world FDI (2018) 1st recipient in the world	15.9% of global trade 2nd global exporter (2019)	20% of the región's total trade (2019)

Source: IMF, Banco de México, WTO and TradeMap.

NAFTA changed Mexico's economic face

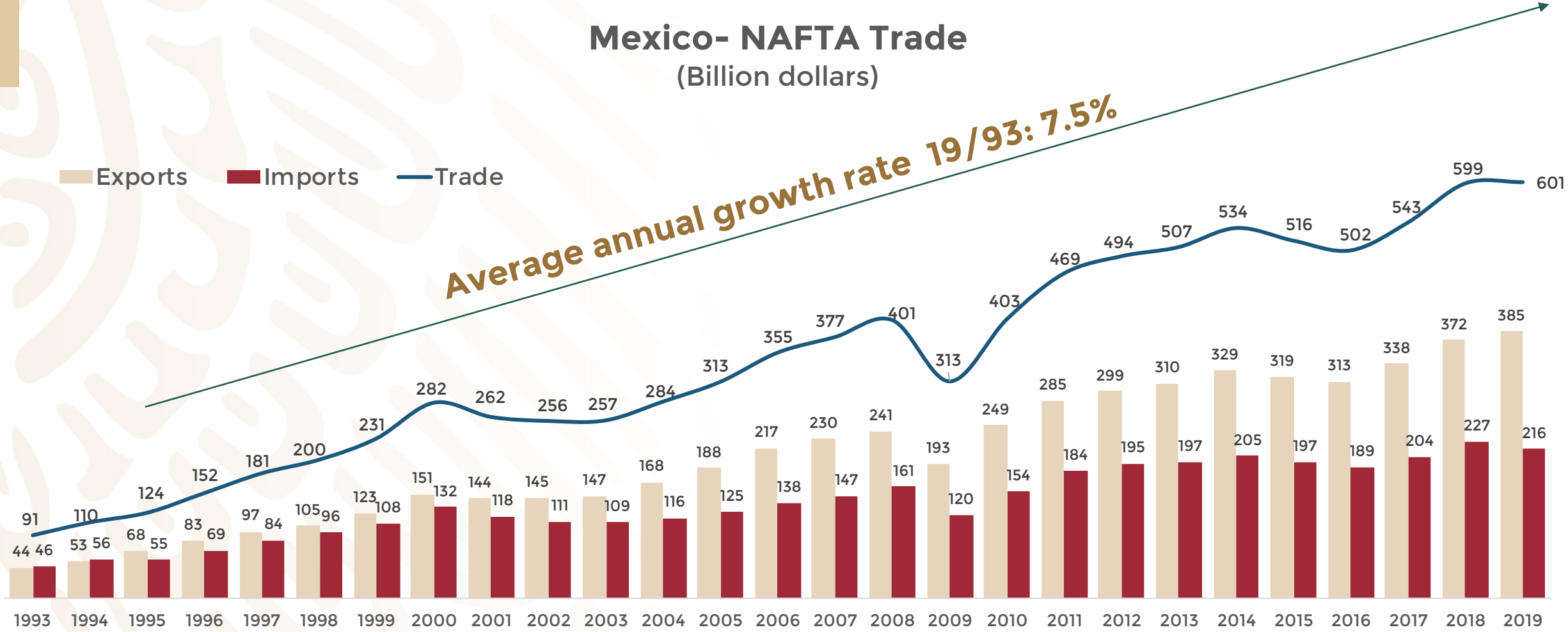
- US and Canada account for more than half of total FDI received by Mexico between 1999- March 2020.





Source: SE/DGIE

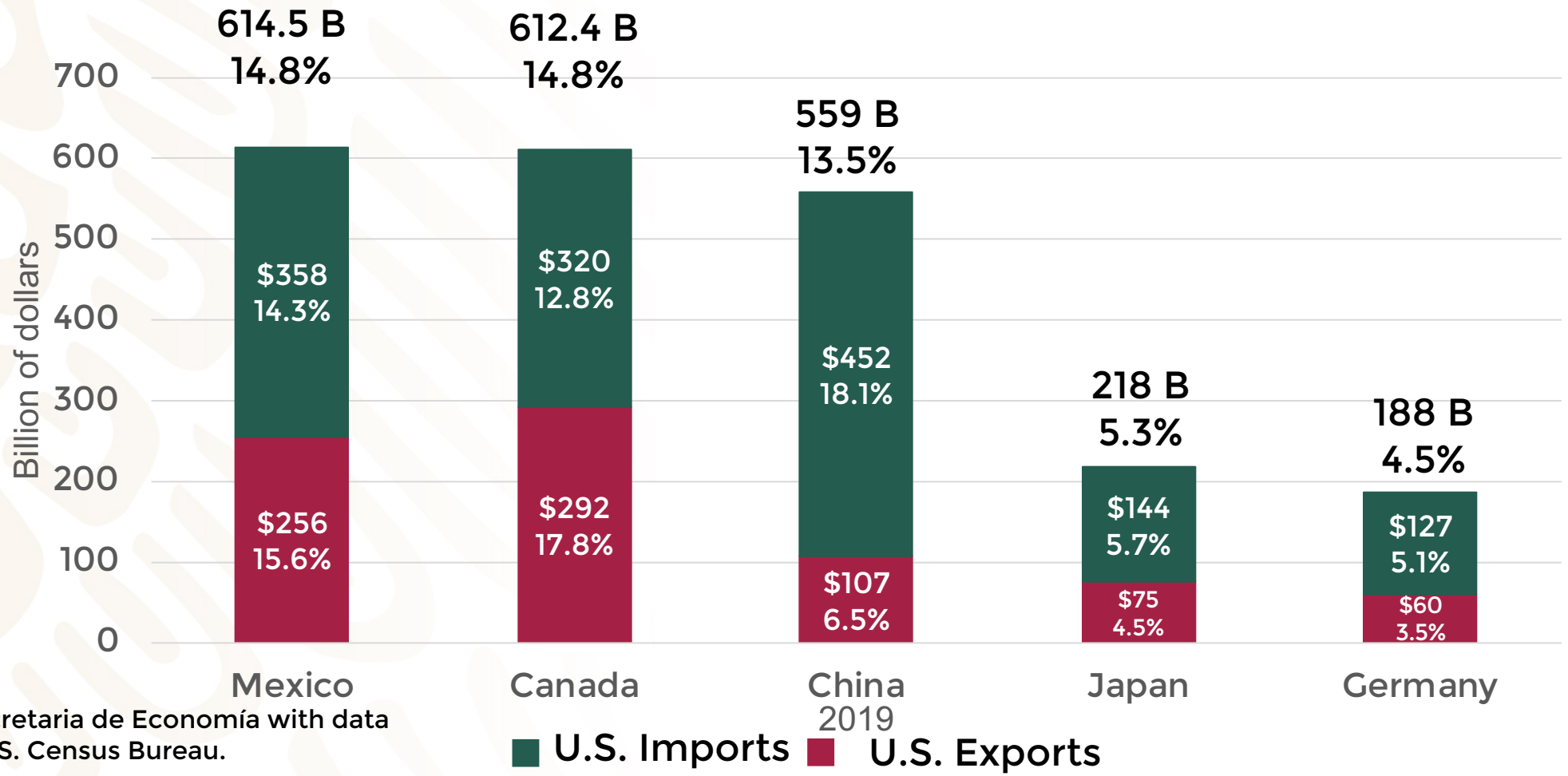
NAFTA transformed Mexico's trade



Source: Banco de México.

In 2019, Mexico was the U.S. Top Trading Partner

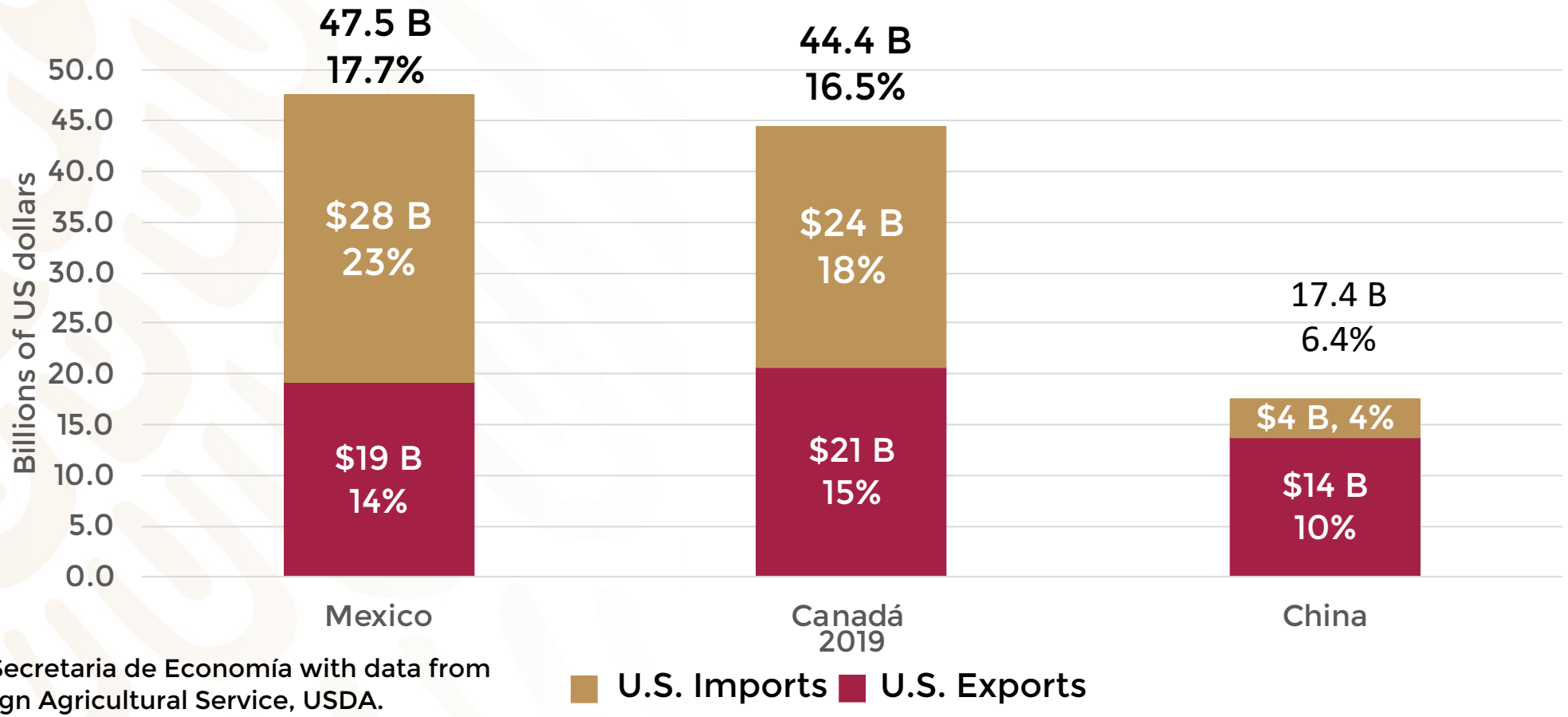
(614.5 billion in goods, surpassing Canada and China)



Source: Secretaria de Economía with data from the U.S. Census Bureau.

Mexico became the US Top Trading Partner in agricultural products

In 2019 the U.S. and Mexico traded over **47.5 billion** dollars in agricultural goods.

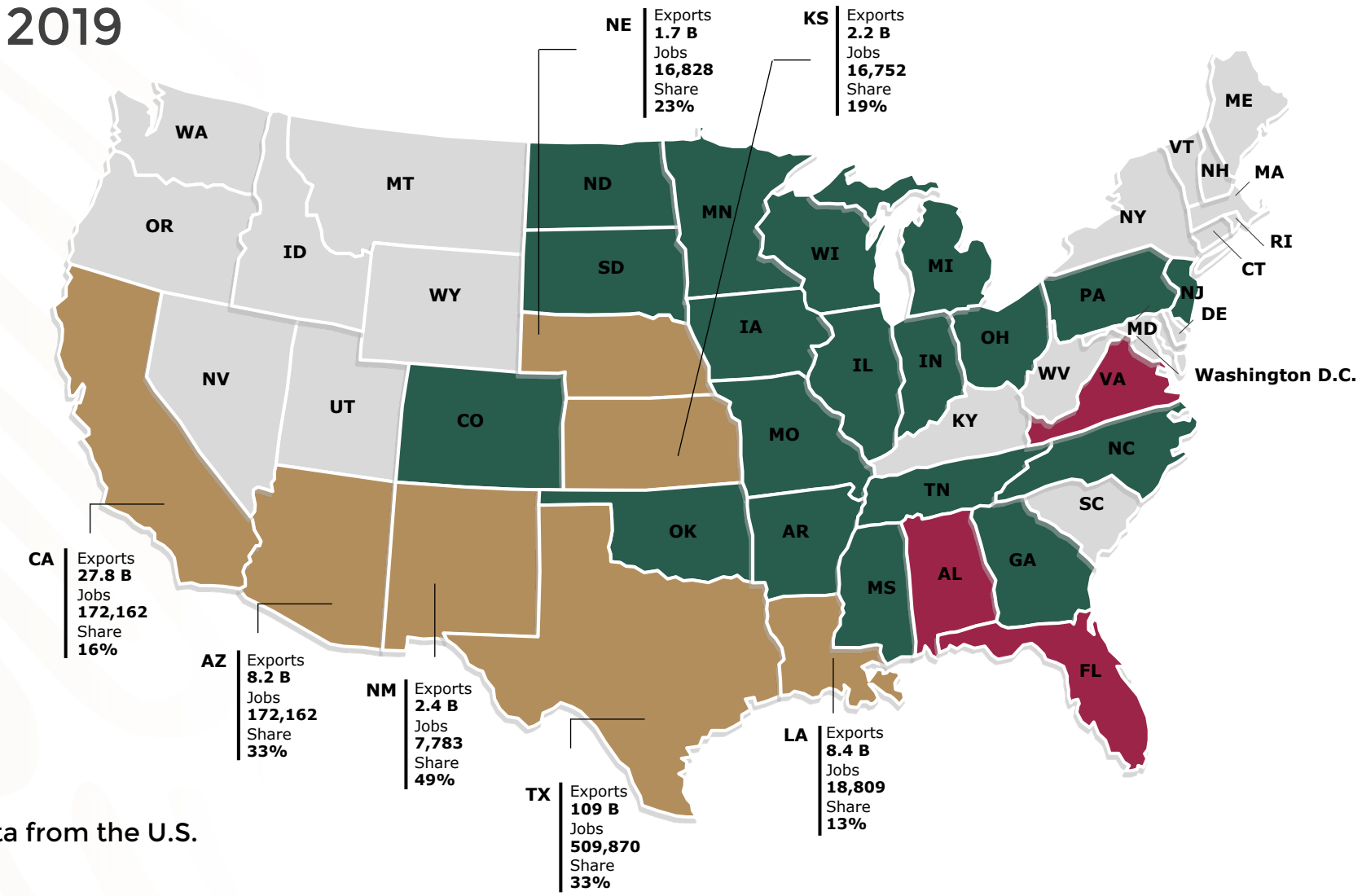


Source: Secretaria de Economía with data from the Foreign Agricultural Service, USDA.

Mexico is a key market for U.S. states' exports

U.S. exports by State, 2019

- Mexico is the largest export market for 7 U.S. states
- Mexico is the second largest export market for 19 U.S. states
- Mexico is the third largest export market for 3 U.S. states.



Source: Secretaria de Economía with data from the U.S. Census Bureau .

Mexico is a partner and an ally to PA and NJ

Mexico – Pennsylvania – New Jersey Trade Outlook, 2019

19,570 Jobs supported by trade with Mexico (2017)

4.24 B Exports to Mexico accounting for **10%** of its total exports

7.11 B Imports from Mexico, **8%** of its total imports

141,200 Jobs supported by trade with Mexico (2017)

2.86 B Exports to Mexico accounting for **18%** of its total exports

4.78 B Imports from Mexico, **24%** of its total imports

Source: Secretaria de Economía with data from the U.S. Census Bureau and The Trade Partnership.

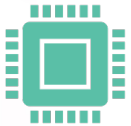
We produce together to compete globally

38% U.S. content
in Mexican auto exports to the U.S.

Mexico sends to the U.S.

Product HS4	Amount	Share
Cars	35.0 B	10.1%
Computers	26.4 B	7.6%
Autoparts	24.7 B	7.1%
Trucks	22.8 B	6.6%
Crude oil	14.2 B	4.1%
Insulated wire	11.4 B	3.3%
Phones/cellphones	10.5 B	3.0%
Televisions	9.0 B	2.6%
Tractors	8.6 B	2.5%
Seats	7.0 B	2.0%

Automotive


Electronics

Energy

The U.S. sends to Mexico

Product HS4	Amount	Share
Gasoline	27.9 B	10.5%
Autoparts	17.0 B	6.4%
Accesories/computers	11.7 B	4.4%
Low cost shipments	7.4 B	2.8%
Integrated circuits	6.9 B	2.6%
Gas	5.4 B	2.0%
Computers	5.1 B	1.9%
Diesel motors	4.5 B	1.7%
Electric switches	4.4 B	1.7%
Phones/cellphones	4.4 B	1.6%

Source: Secretaria de Economía with data from the U.S. Census Bureau. (2019 data) and De Gortari, A. (2017) . Disentangling Global Value Chains.

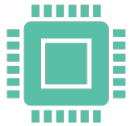
Pennsylvania and Mexico are Integrated

Mexico-Pennsylvania trade accounts for **$11.3 billion** and supports regional supply chains specialized in the automotive, electronics and chemical sectors.

Mexico sends to Pennsylvania

Product HS4	Amount	Share
Tractors	828	12%
Televisions	510	7%
Cars	435	6%
Centrifuges	366	5%
Trucks	318	4%
Refrigerators	266	4%
Autoparts	253	4%
Electric batteries	244	3%
Plastic articles	187	3%
Phones/cellphones	180	3%

Automotive



Electronics

Chemicals

Pennsylvania sends to Mexico

Product HS4	Amount	Share
Compounds of precious metals	470	11.%
Parts for electronics	206	5%
Autoparts	190	4%
Electric switches	130	3%
Catalytic preparations	126	3%
Polymers of propylene	106	2%
Textile fabrics	97	2%
Aluminum	95	2%
Plastic	91	2%

*Millions of U.S. dollars

Source: Secretaria de Economía with data from the U.S. Census Bureau. (2019 data)

New Jersey and Mexico are Integrated

Mexico-New Jersey trade accounts for **$7.7 billion** and supports regional supply chains specialized in the chemical and machinery sectors.

Mexico sends to NJ

Product HS4	Amount	Share
Televisions	795	17%
Bread & pastry	530	11%
Automoatic regultaing instr.	260	5%
Medical instruments	256	5%
Signaling apparatus	180	4%
Spirits < 80% alcohol	165	3%
Cars	134	3%
Appl. for thermo controlled valves	108	2%
Hair products	104	2%
Imps of returnes exps	97	2%

Machinery

Chemicals

NJ sends to Mexico

Product HS4	Amount	Share
Mixtures of ododriferous subst.	189	7%
Catalytic preparations	167	6%
Binders for found molds	96	3%
Centrifuges	94	3%
Polyacetals	88	3%
Phenol-alcohols	88	3%
Wheat	61	2%
Acrylic polymers	55	2%
Vinyl polymers	49	2%
Chocolate	49	2%

*Millions of U.S. dollars

Source: Secretaria de Economía with data from the U.S. Census Bureau. (2019 data)

Exports from top metropolitan areas of Pennsylvania and New Jersey to Mexico

PA and NJ top metropolitan areas exports to Mexico, 2018

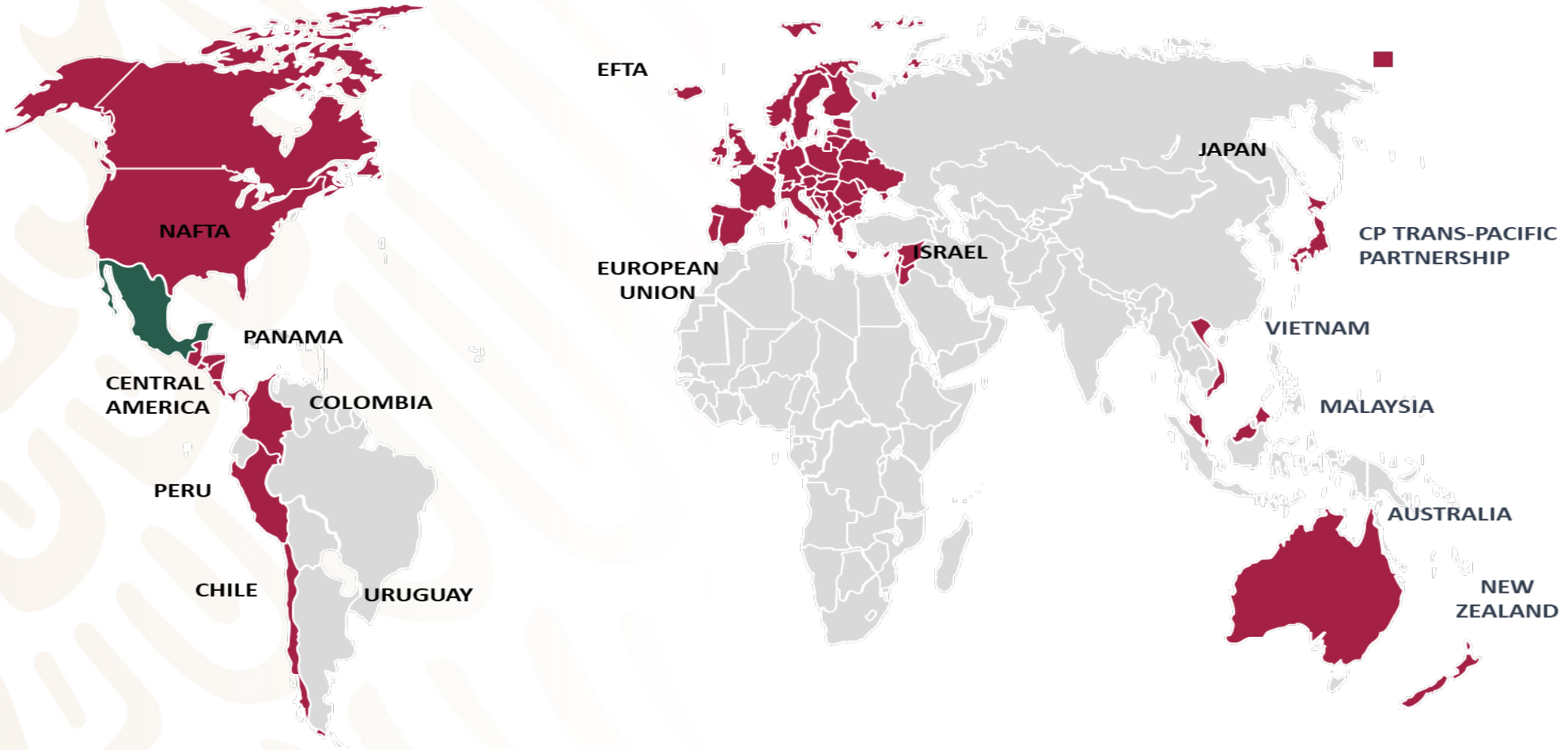
Metro Area	Amount	Share of MA ´s total exp.	Exp. As share of GDP (2017)	Exports growth (since 2005)
Philadelphia-Camden-Wilmington	3.2 B	14%	1%	138%
Pittsburgh	951 M	10%	1%	52%
New York-Newark-Jersey City	5.4 B	6%	0.30%	65%

Source: Secretaría de Economía with data from U.S. International Trade Administration.

3. Why choose Mexico?

1. Mexico: 7th largest exporter in the world and 1st in Latin America

USMCA and other 12 FTAs with 48 countries connect the Mexican economy to more than 1.3 billion consumers (60% of the world's GDP)



2. Mexico offers a solid infrastructure and logistics network

According to the WEF, Mexico ranks among the top 30% countries with best transport infrastructure.

172,000 km roads, where 62.4% of México ´s total exports move.

27,000 km railway tracks, move 13% of Mexico ´s total exports

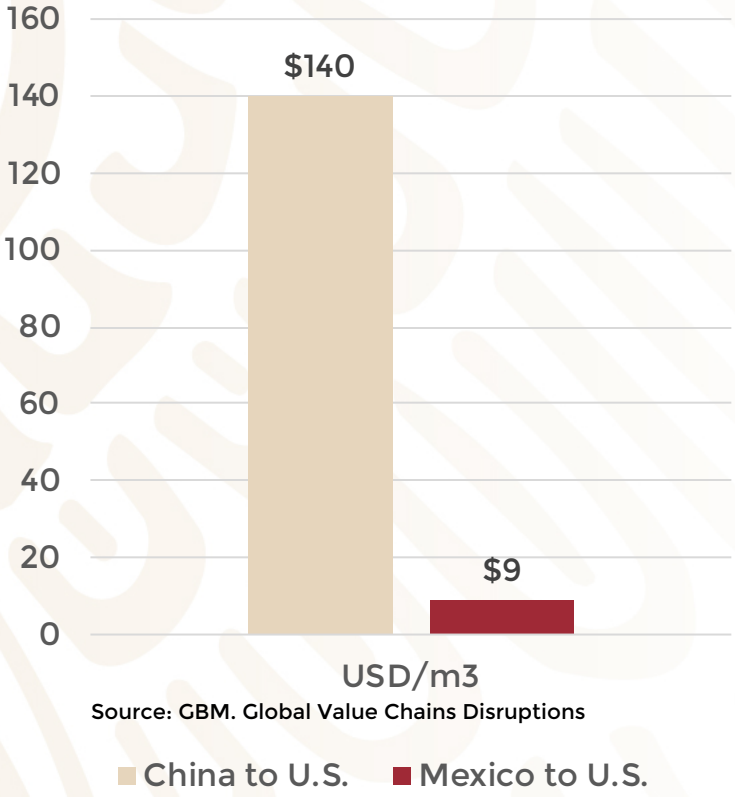
117 Ports move 19.7% of Mexico ´s total exports

76 Airports (64 int. + 12 nat.) move 4.3% of Mexico ´s total exports

Source: Secretaría de Economía with data from INEGI.

3. Strategic location and competitive logistic costs

Low shipping costs



Source: GBM. Global Value Chains Disruptions

Maritime days to selected destinations

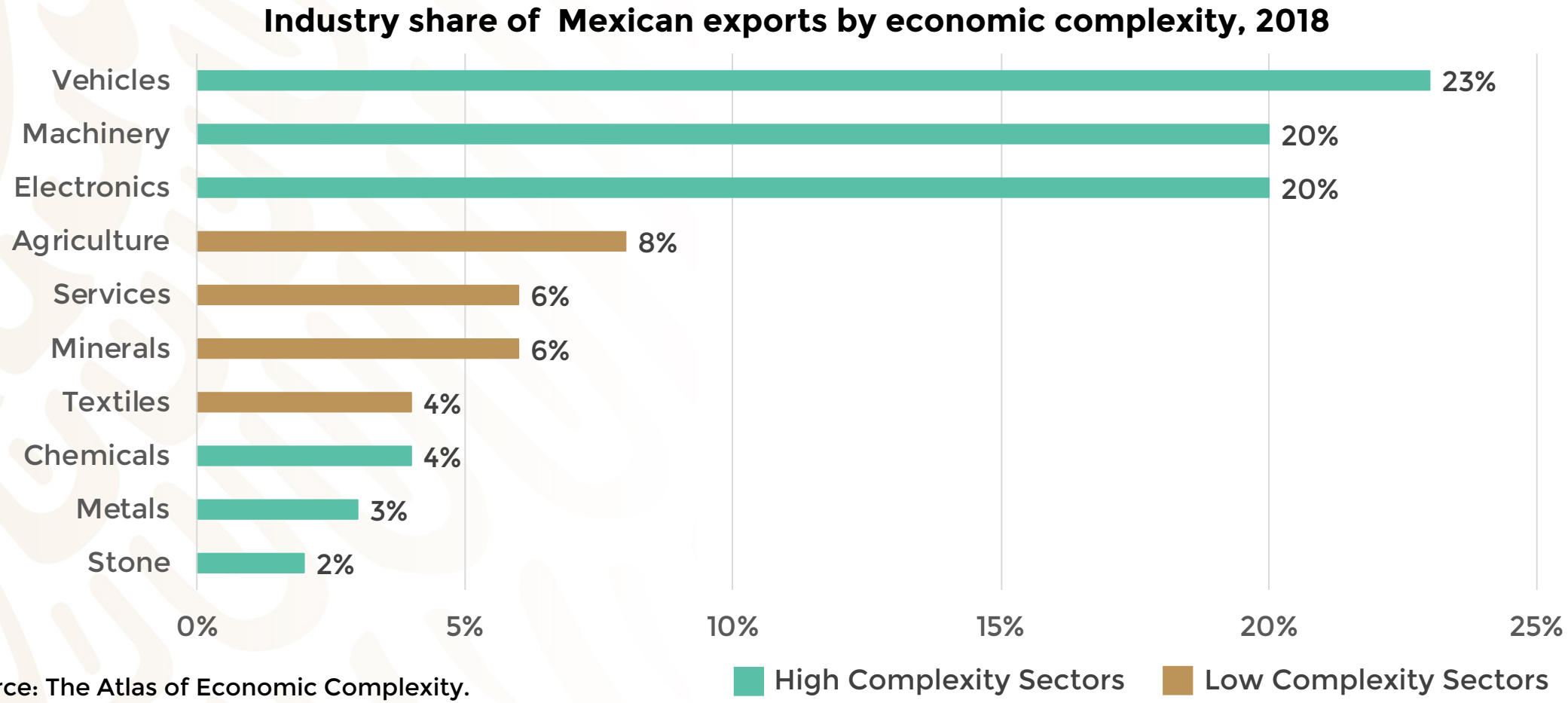
Destination	**Mexico**	China	India	Brasil	South Korea
New York	5	32	25	15	21
Los Angeles	4	18	31	23	17
Rotterdam	16	32	20	17	33
Yokohama	19	4	17	35	3

Source: The Boston Consulting Group in De la Madrid (2014)

More than 50 ports of entry between the U.S. and Mexico

4. Mexico has a diverse and innovative industrial platform

With more than 2/3 of its exports in **high complexity sectors**, Mexico ranks as the **19th most complex** economy



Source: The Atlas of Economic Complexity.

5. Mexico leads in manufacturing production

Mexico became the **6th largest world producer of vehicles (2019)** [1] and ranked **4th as exporter worldwide (2018)** [2].

6th largest supplier of **aircraft parts** to the USA **(2019)**[3].

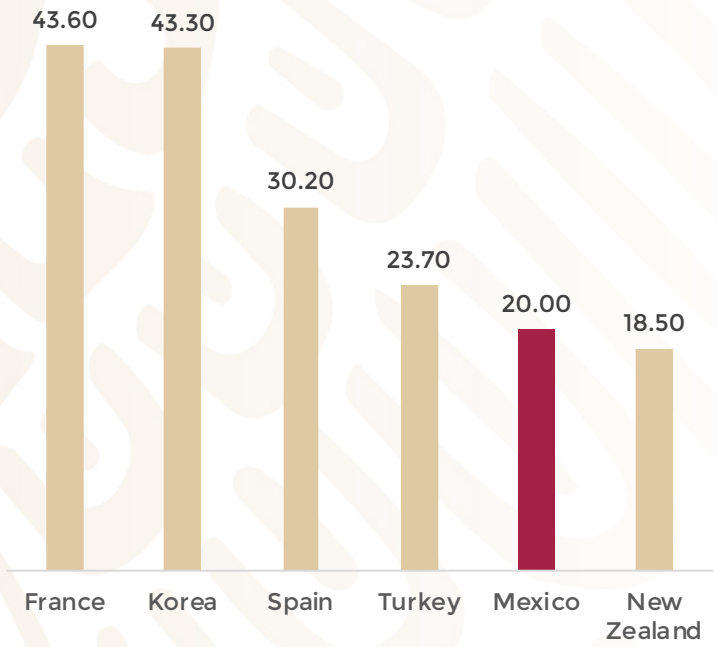
6th largest exporter of information technology products and services **(2018)**[4].

8th largest exporter of medical devices worldwide **(2017)**[5].

1 Source: http://www.oica.net/category/production-statistics/2018-statistics/
2 Soure: https://www.wto.org/spanish/res_s/statis_s/wts2019_s/wts2019_s.pdf
3Source https://legacy.trade.gov/td/otm/assets/aero/AeroTop20SuppliersAnnual.pdf
4Source CANIETI https://esemanal.mx/2019/10/desciende-mexico-a-la-sexta-posicion-como-exportador-de-servicios-de-ti/
5 Source: AMID. https://amid.org.mx/wp-content/uploads/2019/06/Descargable-de-la-secci%C3%B3n-Datos-de-la-industria-.pdf

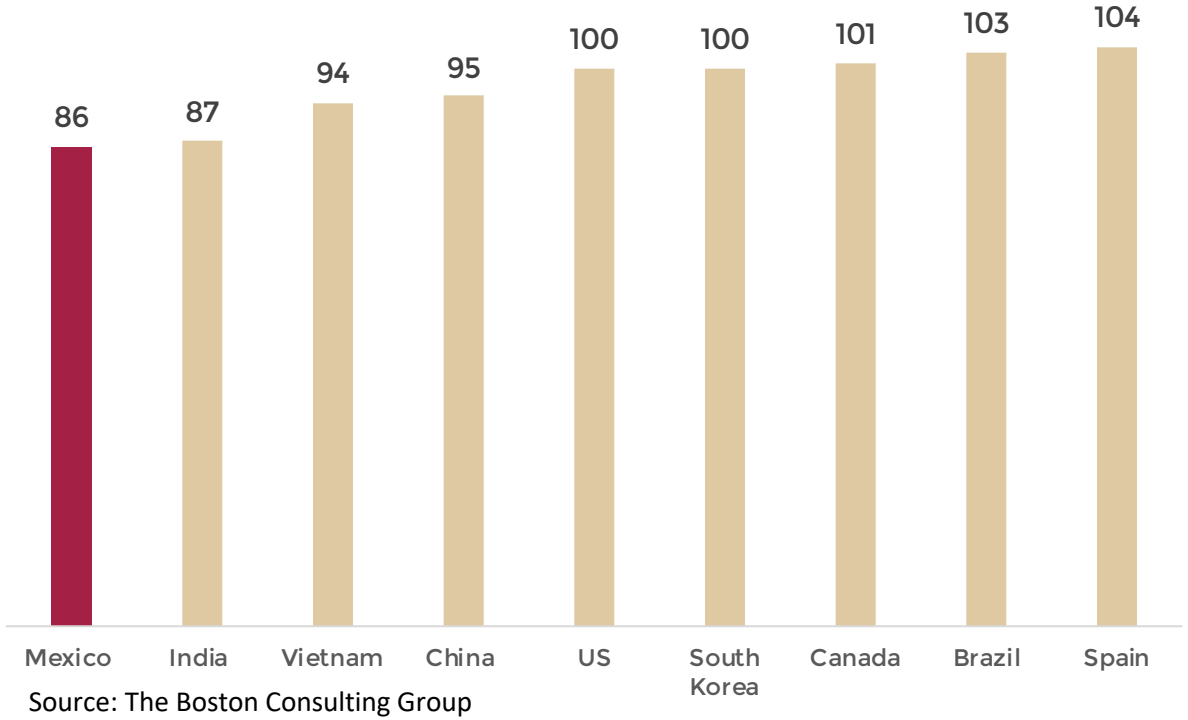
6. Competitive and cost effective manufacturing sector

Natural gas for industry in USD/(MWh GCV), 2019



Source: International Energy Agency and CRE

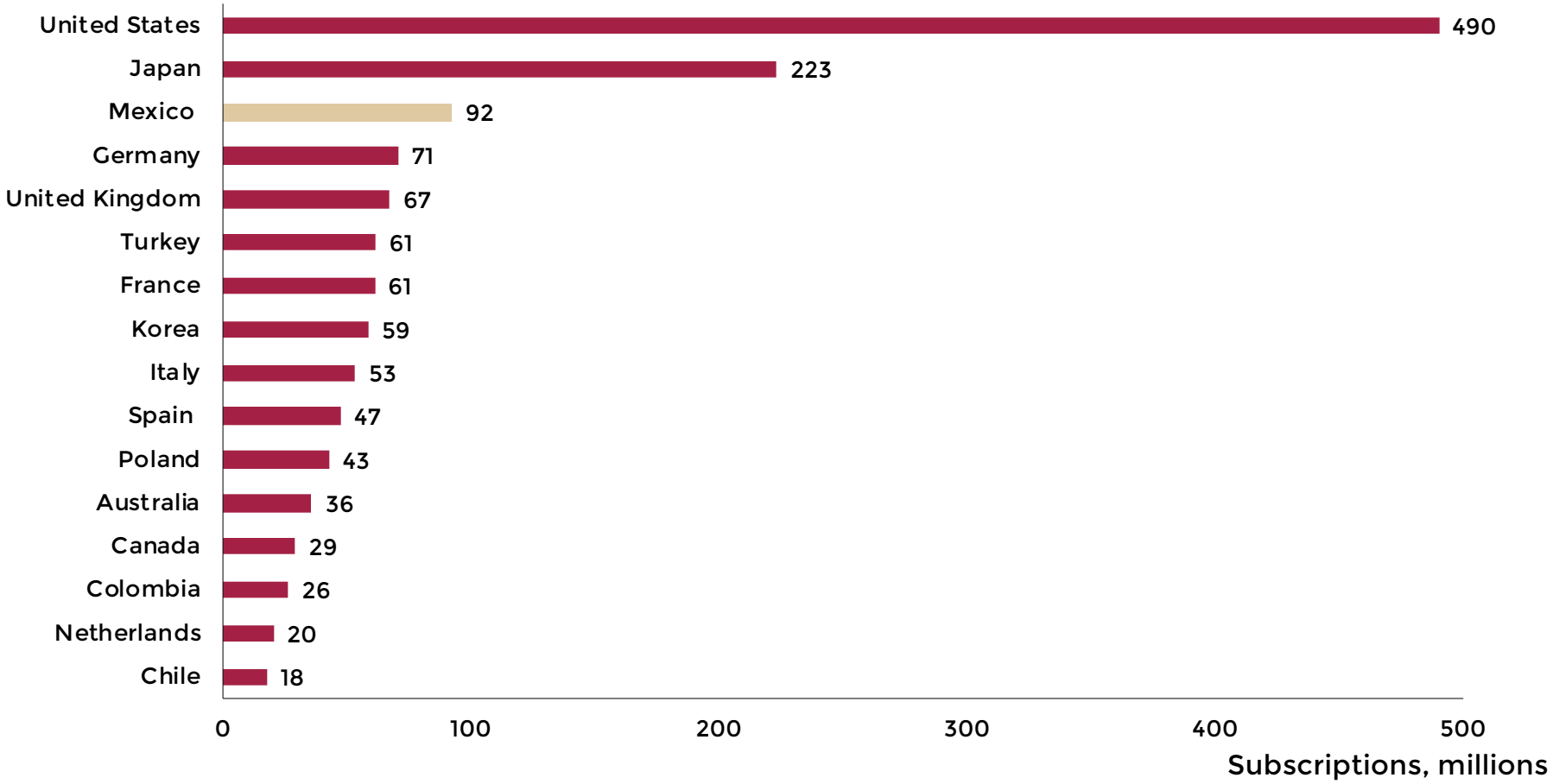
Global Manufacturing Cost Competitiveness Index, 2019 (US base =100)



Source: The Boston Consulting Group

7. Internet connectivity and broadband access supports 4th IR, IOT, digital economy

Mexico is third in mobile broadband suscriptions within OECD

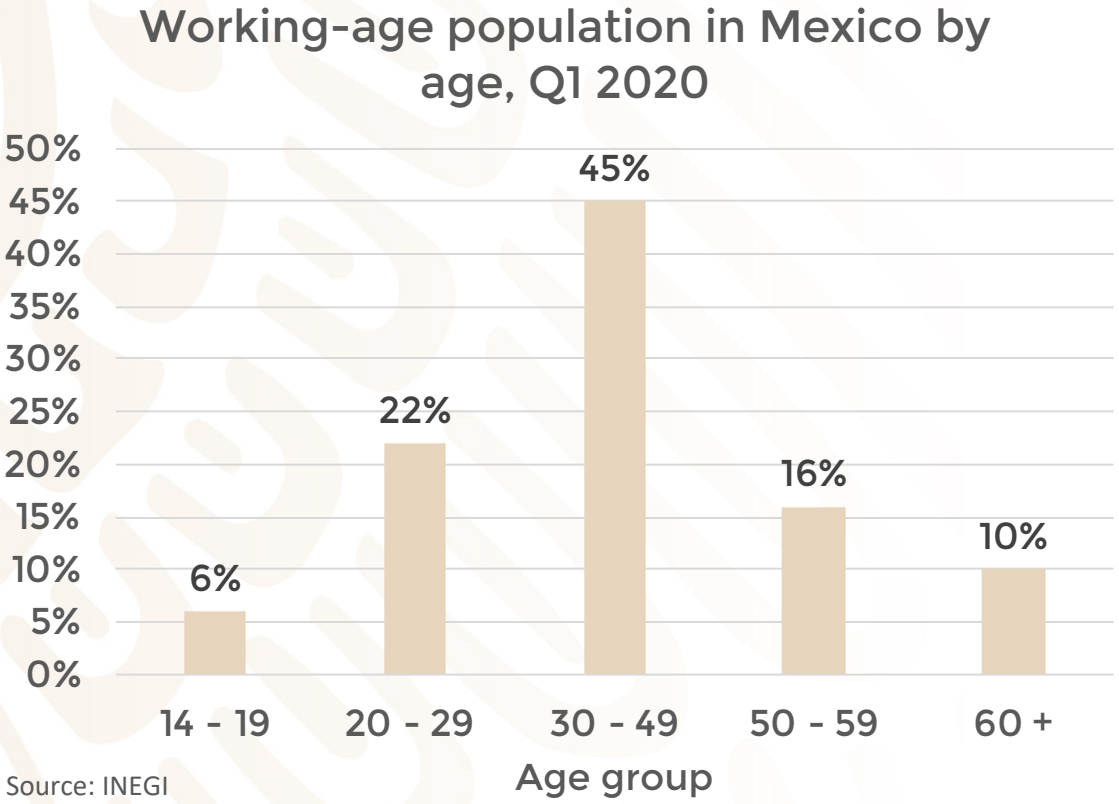


74%
mobile penetration rate

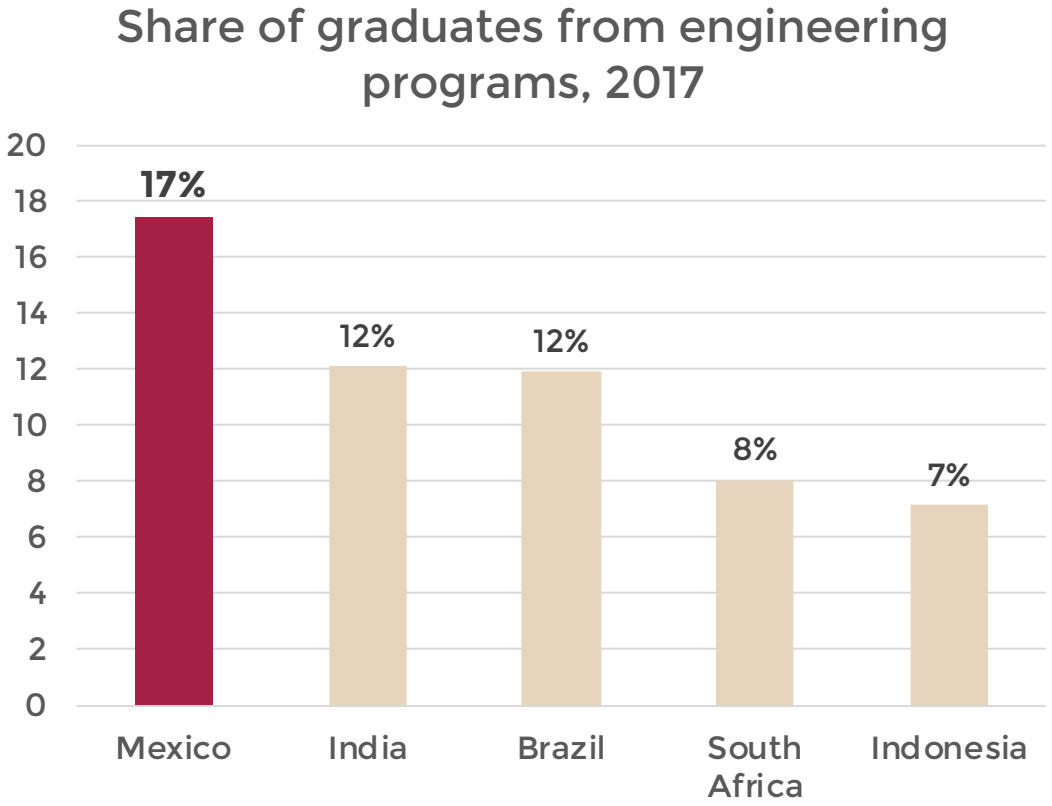
17%
annual growth in past 5 years

92M
mobile broadband suscriptors

8. Young, competitive and skilled workforce



Source: INEGI



Source: UNESCO

4. USMCA challenges and opportunities

USMCA opportunities

✓Stricter Rules of Origin for the automotive sector: regional sourcing, steel and aluminum

✓Agriculture

✓Textiles and Apparel

✓Digital Economy

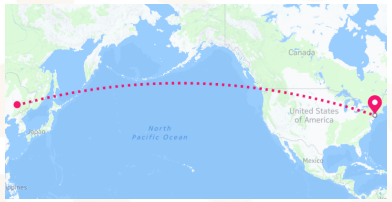
✓e-commerce

Actions to face COVID-19

USMCA governments work coordinately to:

- ✓ Define protocols and conditions to allow transition towards reopening productive activities: essential
- ✓ Use of TICs
- ✓ Coordinate border crossings to secure health.
- ✓ Implement USMCA

USMCA opportunities



USMCA will be a key factor in the economic recovery of the three countries as it will contribute to:

- **Relocation**
- **Nearshoring**
- **Decoupling**

To build resilient GVC

Thank you

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Made in USMCA.
A Business Partnership for Global Success

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