

## Mexico's Plan B Implementation: 2017 Results

*"Today, most of the grains are transported through rails. If we open the markets that we are currently negotiating with Brazil and Argentina, it will be through vessel. In fact, we have already begun with that commercialization."* – Economy Secretariat, Ildefonso Guajardo, October 2017.

### Trade Diversification

In 2017, Mexico moved forward with various trade partnerships that will reduce its reliance on NAFTA.

**European Union** – In December 2017, talks with the EU were reported to be nearly finished and although an agreement was not reached then, it is expected to be secured during the first quarter of 2018.<sup>1</sup>

**Trans Pacific Partnership** – Officials from TPP countries expect to sign a revised deal on March 8, 2018. Additionally, the United Kingdom began informal talks with TPP countries to join this trade agreement after Brexit finishes.<sup>2</sup> Throughout the process, TPP countries emphasized that the new framework would allow the US to join TPP in the future – since then, President Trump has declared that he is willing to rejoin TPP at some point.

**Argentina and Brazil** – Republican Senator Pat Roberts (KS) raised an alarm to Vice President Mike Pence showing him figures on the volume of soybeans, corn and wheat the U.S. isn't selling to Mexico anymore because Mexico is buying those products from Argentina and Brazil.<sup>3</sup>

**Russia** – According to Banxico, between 2009 and 2017 Mexican imports from Russia increased by 178 percent, in contrast to a total import growth from other nations of 65 percent. Furthermore, in 2017 Russia promoted Russian-made airplanes in Mexico and declared its intention to invest in the country's energy market.<sup>4</sup> In 2012, Mexican commercial airline Interjet became the *only* Western airline to operate Russian-made Sukhoi Superjets and their 22 planes fleet could increase due to Russia's recent efforts.

### Infrastructure Investment in Support of Trade Diversification

Mexico's current trading infrastructure comprises mostly roads and railways. As part of its diversification plan, in 2017 Mexico increased investments in its ports' infrastructure to accommodate its new and growing trade relationships with Asia and South America. In 2017, maritime-based trade in Mexico grew close to 13 percent and is expected to continue with double-digit growth in 2018.<sup>5</sup>

Infrastructure investments include:

**The Lazaro Cardenas Port** will be finished in 2018, its capacity will expand from 27 to 47 million tons, making it one of Latin America's largest vessel ports. The port is in Mexico's west coast and can operate

<sup>1</sup> <https://www.reuters.com/article/us-trade-wto-mexico/mexico-sees-possible-eu-trade-deal-as-nafta-talks-drag-on-idUSKBN1E72ZA>

<sup>2</sup> <https://www.ft.com/content/73943036-efa9-11e7-b220-857e26d1aca4>

<sup>3</sup> <https://insidetrade.com/daily-news/republican-senators-tell-trump-nafta-mistakes-will-jeopardize-stock-market-gains>

<sup>4</sup> <https://www.eleconomista.com.mx/empresas/Rusia-impulsa-mas-ventas-de-sus-aeronaves-a-Mexico-20180101-0100.html>

<sup>5</sup> [http://www.milenio.com/negocios/puerto\\_lazaro\\_cardenas-industria\\_automotriz-ssa\\_mexico\\_0\\_1092490742.html](http://www.milenio.com/negocios/puerto_lazaro_cardenas-industria_automotriz-ssa_mexico_0_1092490742.html)

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the latest generation of cargo vessels like the ones operated in Asian ports – allowing Mexico to increase trade with China and TPP nations.

**The Veracruz's Port Modernization** is expected to quintuple its capacity once the project finalizes in 2018 – from 22 to 90 million tons.<sup>6</sup> It will become one of the largest ports in the Gulf of Mexico.

Other port investments include:

- **Tuxpan Port** will increase its capacity from 13 to 24 million tons,
- **Manzanillo Port** will reach 44 million tons of capacity in 2018, and
- **Altamira port** will increase its capacity from 15 to 36 million tons by end of year.<sup>7</sup>

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<sup>6</sup> <http://www.excelsior.com.mx/nacional/2017/08/17/1182367>

<sup>7</sup> <https://portalportuario.cl/puertos-mexicanos-movilizan-470-millones-toneladas-2017/>

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# NAFTA Fact Sheet: Jobs and Wages

## KEY TAKEAWAYS

- 14 million NAFTA jobs
- Increased wages
- Lower cost goods for American consumers
- Nearly 5 million U.S. jobs at risk if negotiations fail and countries pull out

"The payoff [of free trade] is hidden within familiar channels: fatter paychecks, lower prices and better product choices." – Gary Clyde and Paul L.E. Grieco; authors of *The United States and the World Economy*

## JOBS

**NAFTA supports 14 million jobs throughout the trade region. There were an estimated 5 million new jobs since its founding, and 800,000 new manufacturing jobs in the U.S.<sup>2</sup> The effects of a trade war among NAFTA countries can be unbearable to American communities. More trade – not artificial barriers and tariffs – will continue to increase jobs, growth and opportunity.**

If trade between the U.S. and Mexico ceased, 4.9 million American workers would be at risk. The Wilson Center estimates that NAFTA benefits thousands of jobs in each state of the country:<sup>3</sup>

Millions of American jobs depend directly on trade with NAFTA nations. According to a 2015 U.S. Department of Commerce report:

Goods exports alone maintain more than 1.2 million jobs from trade with Canada and almost 1 million from trade with Mexico. These regional partners accounted for 32% of goods-exports based jobs in 2015.<sup>5</sup>

The total number of jobs supported by goods exports increased by 890,000 from 2009 to 2015 including 296,000 from Mexico and 110,000 from Canada.<sup>6</sup>

Services exports to Canada and Mexico supported 360,000 and 201,000 jobs, respectively (12% of total service exports-supported jobs). From 2009 to 2015, services exports to Canada increased U.S. jobs by 37,000 and Mexico jobs by 30,000.<sup>7</sup>

Total exports to NAFTA partners accounted for 2,767,077 jobs (24% of export-supported jobs) in 2015.<sup>8</sup>

**NAFTA did not cause the loss of U.S. industrial jobs. In fact, studies have shown that automation and China's adherence to the WTO were the principal forces in charge of industrial jobs loss in the U.S.<sup>9</sup>**

According to the Wilson Center, 87% of manufacturing job losses between 2000 and 2010 were due to technological innovation. The causal effects of innovation are further evidenced by the doubling of U.S. manufacturing output and increased wages despite the loss of manufacturing jobs.<sup>10</sup>

Only 13% of job losses were caused by trade and the majority of these losses were due to increased trade with China.

Even though more automotive manufacturing occurs outside the U.S., NAFTA has strengthened a supply chain that supports millions of jobs. For example, the U.S. Motor Equipment Manufacturing Association recently found that "the total employment impact of the motor vehicle parts manufacturing industry is 4.26 million [American] jobs, an increase of nearly 18 percent [since 2012]."<sup>11</sup>

U.S. JOBS SUPPORTED BY TRADE WITH MEXICO BY STATE (2014)

STATE	THOUSANDS OF JOBS	STATE	THOUSANDS OF JOBS	STATE	THOUSANDS OF JOBS	STATE	THOUSANDS OF JOBS
Alabama	67	Illinois	200	Nebraska	33	SC	70
Alaska	11	Indiana	96	Nevada	44	SD	15
Arizona	89	Iowa	53	NH	22	Tennessee	100
Arkansas	42	Kansas	48	NJ	141	Texas	382
California	566	Kentucky	61	NM	27	Utah	47
Colorado	88	Louisiana	65	NY	322	Vermont	11
Conn.	61	Maine	22	NC	152	Virginia	134
Delaware	15	Maryland	97	ND	14	Washington	107
D.c.	24	Mass.	119	Ohio	178	WV	23
Florida	290	Michigan	138	OK	51	Wisconsin	96
Georgia	153	Minn.	93	Oregon	57	Wyoming	9
Hawaii	27	Ms	41	Penn.	200		
Idaho	23	Montana	17	RI	17		

**NAFTA Fact Sheet: Jobs and Wages**

**WAGES**

**Wages, in real terms, have increased since the NAFTA was enacted.**

Real wages for U.S. workers are 12.6% higher now than when NAFTA took effect.<sup>12</sup> The average manufacturing worker today is nearly twice as productive as in 1994 and real compensation per hour has increased by over 20% to reflect that.<sup>13</sup>

**NAFTA allows families to buy better products for less money.**

NAFTA and other trade agreements have reduced trade barriers, benefitting Americans consumers with access to better-priced products.<sup>15</sup>

Access to a wider variety of goods at lower prices boosts American consumers' purchasing power.

The Council of Economic Advisers found that the purchasing power of the middle-class has increased 29% due to trade and tariff reductions since World War II.<sup>16</sup>

According to a 2005 study, access to lower price imports boosted American purchasing power by about \$10,000 per household on average annually.<sup>17</sup>

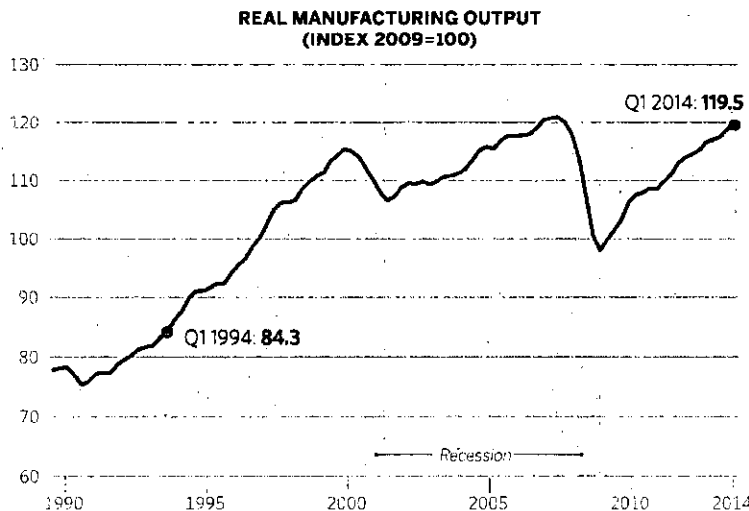
**Mexico complies with more ILO conventions than both Canada and the U.S., disproving the argument that the country intentionally keeps wages down.**

Mexico has ratified 79 ILO conventions, including 7 out of 8 Fundamental Conventions.<sup>18</sup> Canada has ratified 36 ILO conventions, including 8 out of 8 Fundamental Conventions.<sup>19</sup>

Finally, the U.S. has ratified 14 ILO conventions, including 2 out of 8 Fundamental Conventions.<sup>20</sup>

Additionally, the Mexican Government has already begun the process of updating its labor justice system. The intended reforms will bring additional transparency and establish more efficient ways for workers to negotiate and resolve disputes with employers.<sup>21</sup>

**U.S.: MANUFACTURING OUTPUT, COMPENSATION SHOW STRONG GROWTH**

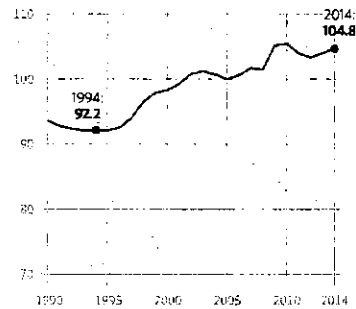


**CHART 2:** U.S. Manufacturing output today is 42 percent higher than it was in 1994 when NAFTA took effect. Additionally, compensation for manufacturing workers is up 21 percent.<sup>14</sup>

Source: Federal Reserve of St. Louis, "Manufacturing Sector: Real Output," <http://research.stlouisfed.org/fred2/series/OUTMS> (Accessed May 29, 2014)

**U.S.: REAL WAGES**

**AVERAGE REAL WAGE INDEX IN LOCAL CURRENCY (2005=100)**

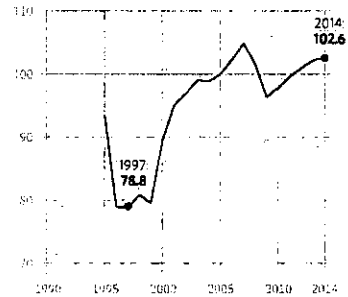


**CHART 4:** Real wages in the U.S. are 12.6 percent higher today than they were in 1994 when NAFTA was enacted.

Source: Economic Intelligence Unit, <http://www.eiu.com/home.aspx> (accessed June 2, 2014)

**MEXICO: REAL WAGES**

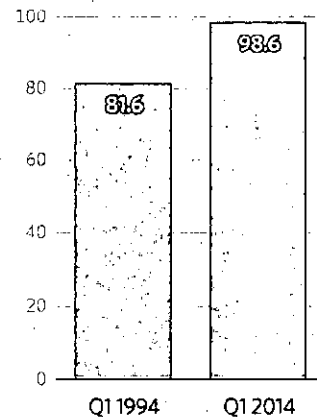
**AVERAGE REAL WAGE INDEX IN LOCAL CURRENCY (2005=100)**



**CHART 3:** Real wages in Mexico have risen significantly—30 percent—since its peso crisis ended in the late 1990s.

Source: Economic Intelligence Unit, <http://www.eiu.com/home.aspx> (accessed June 2, 2014)

**MANUFACTURING SECTOR, REAL COMPENSATION PER HOUR (INDEX 2009=100)**



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- <sup>1</sup>Gary Clyde Hufbauer and Paul L.E. Grieco, "The Payoff from Globalization," The Washington Post, June 7, 2005
- <sup>2</sup><https://www.thebalance.com/nafta-pros-and-cons-3970481>
- <sup>3</sup>[https://www.wilsoncenter.org/sites/default/files/growing\\_together\\_economic\\_ties\\_between\\_the\\_united\\_states\\_and\\_mexico.pdf](https://www.wilsoncenter.org/sites/default/files/growing_together_economic_ties_between_the_united_states_and_mexico.pdf)
- <sup>4</sup>Jobs Supported by Export Destination 2015, Department of Commerce, International Trade Administration
- <sup>5</sup>Jobs Supported by Export Destination 2015, Department of Commerce, International Trade Administration
- <sup>6</sup>Jobs Supported by Export Destination 2015, Department of Commerce, International Trade Administration
- <sup>7</sup>Jobs Supported by Export Destination 2015, Department of Commerce, International Trade Administration
- <sup>8</sup><http://knowledge.wharton.upenn.edu/article/naftas-impact-u-s-economy-facts/>
- <sup>9</sup>[https://www.wilsoncenter.org/sites/default/files/growing\\_together\\_economic\\_ties\\_between\\_the\\_united\\_states\\_and\\_mexico.pdf](https://www.wilsoncenter.org/sites/default/files/growing_together_economic_ties_between_the_united_states_and_mexico.pdf)
- <sup>10</sup><https://www.mema.org/us-automotive-parts-manufacturing-jobs-nearly-19-percent>
- <sup>11</sup>The Truth about NAFTA: Lessons for Trade Negotiations, The Heritage Foundation (Data from Economist Intelligence Unit)
- <sup>12</sup>The Truth about NAFTA: Lessons for Trade Negotiations, The Heritage Foundation (Data from Economist Intelligence Unit)
- <sup>13</sup>Federal Reserve of St. Louis, "Manufacturing Sector: Real Output"
- <sup>14</sup>Freedom to Trade: A Guide for Policymakers, The Heritage Foundation
- <sup>15</sup>The White House, "The Economic Benefits of U.S. Trade," May 2015
- <sup>16</sup>Gary Clyde Hufbauer and Paul L.E. Grieco, "The Payoff from Globalization," The Washington Post, June 7, 2005
- <sup>17</sup>[http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200\\_COUNTRY\\_ID:102764](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:102764)
- <sup>18</sup>[http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200\\_P11200\\_COUNTRY\\_ID:102582](http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200_P11200_COUNTRY_ID:102582)
- <sup>19</sup>[http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200\\_P11200\\_COUNTRY\\_ID:102871](http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200_P11200_COUNTRY_ID:102871)
- <sup>20</sup><http://www.eluniversal.com.mx/entrada-de-opinion/articulo/miguel-carbonell/nacion/2017/02/28/nueva-reforma-laboral>

# NAFTA Fact Sheet: Seasonal Antidumping

## KEY TAKEAWAYS

Retalitory measures from Mexico or Canada could be devastating to industries in which America primes.

Seasonal restrictions will pit American producers against each other.

Season restrictions will affect the U.S., as American agribusiness companies have sizable long-term investments across all three NAFTA countries.

**Seasonal antidumping restrictions would ultimately reduce American's options at the grocery store, limit the amount of year-round fresh produce available, stifle trade and market access for all seasonal agricultural goods and ultimately harm producers and consumers alike.**

Seasonal policies will have the detrimental effect of pushing American farmers against each other. American sectors that are not dependent on NAFTA trade will push for seasonal restriction, while NAFTA-dependent sectors will do the opposite.

For instance, Mexico is the No. 1 export market for U.S. apples, and Canada is the No. 2 market. If the U.S. were to restrict access to Mexican or Canadian seasonal fruit and vegetable sector these countries could implement similar seasonal import restrictions on U.S. apples to protect domestic apple growers in Mexico and Canada. This will raise prices for consumers and potentially lead to seasonal shortages of fruits and vegetables American consumers rely on in their grocery stores.<sup>1</sup>

According to MIT's Observatory for Economic Complexity, U.S. growers of apples and pears are highly dependent on the Mexican market and therefore significantly vulnerable to retaliation (see figure 1).<sup>2</sup>

**Seasonal antidumping measures have extremely narrow benefits for regional producers (e.g. citrus and tomato farmers in Florida) and the interests of these producers are not representative of the U.S. agribusiness sector more generally.**

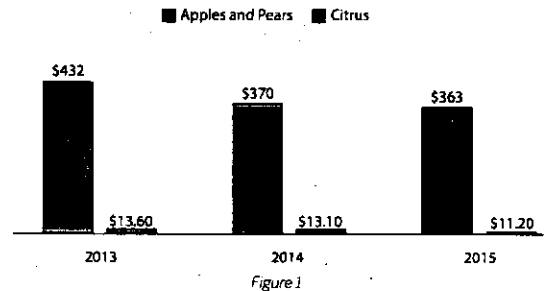
The U.S. exports a tremendous amount of agricultural products to Mexico and Canada, having reached numbers that would not have been possible without the implementation of NAFTA. Since the trade agreement was put in place, U.S. agricultural exports to Canada and Mexico have tripled and quintupled, respectively. Special interest provisions can put the current agricultural trade between the three partners at risk.<sup>10</sup>

American producers of corn and soybeans – the country's two largest crop exports to Mexico (worth a combined \$4.452 billion in 2016) – have far more to lose from reciprocal trade measures than tomato and citrus farmers have to gain.<sup>12</sup>

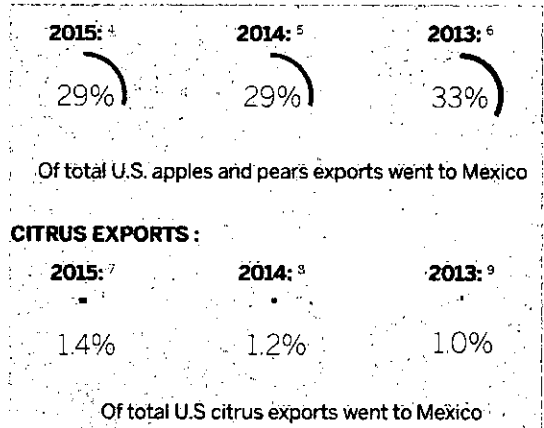
For reference – In 2015, the United States exported \$141 million<sup>13</sup> in total tomato exports globally and \$215 million in total lemon/lime exports globally.<sup>14</sup> These figures are pale in comparison to the corn and soy exports that the U.S. distributes to Mexico alone (see Figure 2).

## U.S. EXPORTS TO MEXICO

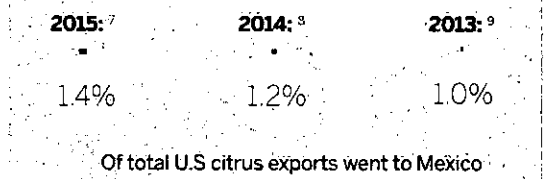
In Millions of USD - Source: MIT OEC



## APPLES AND PEARS EXPORTS: <sup>3</sup>

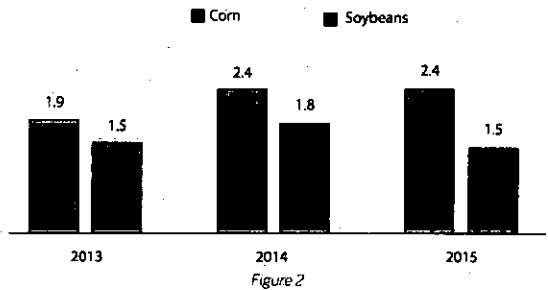


## CITRUS EXPORTS: <sup>7</sup>



## U.S. EXPORTS TO MEXICO

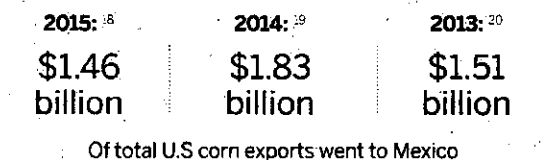
In Billions of USD - Source: MIT OEC



## CORN EXPORTS: <sup>15</sup>



## SOYBEAN EXPORTS: <sup>18</sup>



**NAFTA Fact Sheet: Seasonal Antidumping**

**Given the close ties between the U.S. and Mexico, a policy that restricts market access to Mexican produce will hurt American agribusiness investments in Mexico.**

NAFTA allows American produce companies build operations that work year-round by investing on both sides of the U.S.-Mexico Border. A policy that affects American investments and operations in Mexico will have negative repercussions on these companies, their workforce in the U.S. and the communities that depend on those jobs.

According to the Economic Research Service of the U.S. Department of Agriculture:<sup>21</sup>

- Since the implementation of NAFTA, U.S. investment in the Mexican food and beverage industries increased substantially from US\$2.3 billion in 1993 to US\$10.2 billion in 2012, declining to US\$7.5 billion in 2016.
- U.S. direct investment in production agriculture in Mexico increased from US\$542 million in 2010 to US\$1.6 billion in 2016.
- A prime example of this is Driscoll, the largest berry company in the U.S.; according to Politico:

Driscoll "supplies a long list of major retailers who fuel the year-round demand for large, predictable supplies of produce. Consider the humble raspberry: In January, Driscoll's sources berries from Oxnard, Calif., Baja, Mexico, and elsewhere in Mexico. By April, it's still getting berries from those locations, while also bringing online harvests from Watsonville, Salinas, and Santa Maria, Calif. By July or August, it's mostly sourcing raspberries from California. In September, Baja berries are back in the mix. Soon thereafter, other sources in Mexico are feeding the demand. And so the cycle continues, every month, all year, along the West Coast."<sup>22</sup>

**NAFTA guarantees competition and increased market access. Increased competition means that American consumers pay the best prices for the highest quality products.**

Trade policies that limit American consumers' access to produce from Mexico and Canada will increase prices. This policy in particular would act like an unfair benefit for farmers in a narrow set of states that will be paid off by consumers when prices in the grocery store increase due to a lack of competition.

According to Reuters, American retail, restaurant and agriculture groups have already warned U.S. Trade Representative Robert Lighthizer of the potentially "dangerous implications for U.S. businesses and consumers" that implementing additional perishable anti-dumping measures can have.<sup>23</sup>

<sup>1</sup> <http://www.politico.com/story/2017/08/25/nafta-us-produce-growers-242031>

<sup>2</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/mex/show/2015/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/mex/show/2015/)

<sup>3</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/mex/show/2015/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/mex/show/2015/)

<sup>4</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/0808/2015/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/0808/2015/)

<sup>5</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/0808/2013/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/0808/2013/)

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<sup>9</sup> <http://www.ncga.com/news-and-resources/news-stories/article/2017/01/trump-administration-takes-early-trade-action--and-what-it-means-for-us-grains>

<sup>10</sup> <https://www.export.gov/article?id=Mexico-Agriculture>

<sup>11</sup> <https://www.export.gov/article?id=>

<sup>12</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/0702/2015/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/0702/2015/)

<sup>13</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/080530/2015/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/080530/2015/)

<sup>14</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/1005/2015/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/1005/2015/)

<sup>15</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/1005/2014/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/1005/2014/)

<sup>16</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/1005/2013/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/1005/2013/)

<sup>17</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/1201/2015/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/1201/2015/)

<sup>18</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/1201/2014/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/1201/2014/)

<sup>19</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/show/1201/2013/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/show/1201/2013/)

<sup>20</sup> <https://www.ers.usda.gov/topics/international-markets-trade/countries-regions/nafta-canada-mexico/mexico-trade-1/>

<sup>21</sup> <http://www.politico.com/story/2017/08/25/nafta-us-produce-growers-242031>

<sup>22</sup> <https://www.reuters.com/article/us-trade-nafta-produce/american-retailers-restaurants-oppose-u-s-nafta-produce-proposal-idUSKCN1BB39L>

<sup>23</sup> <https://www.reuters.com/article/us-trade-nafta-produce/american-retailers-restaurants-oppose-u-s-nafta-produce-proposal-idUSKCN1BB39L>

## NAFTA Fact Sheet: Trade Imbalance

### KEY TAKEAWAYS

Deficits can actually speak of a stronger economy.

America's deficit with Mexico makes American final products more competitive when trading with other economies.

*"I have a 'deficit' with my local supermarket, but I offset what I owe by earning money elsewhere, not by stocking shelves at night to pay for my groceries."*

—Robert B. Zoellick, former World Bank president, U.S. trade representative and deputy secretary of state.<sup>1</sup>

**Leading economists agree that the trade imbalance between the US and Mexico is not a good measure of the US's trading or economic strength. In fact, it has more to do with America's strength, its low saving rates and the dollar's status as the world's reserve currency.**

There are a number of reasons why the U.S. maintains a trade imbalance, including:

- The stronger exchange rate of the dollar in the international financial market makes foreign products cheaper for American consumers, thus allowing them to buy more and save less.<sup>2</sup>
- A growing U.S. economy often leads to a larger deficit, since American consumers have more income to buy more goods from abroad.
- Anne Krueger, who served as the top U.S. official at the IMF and as the World Bank's chief economist, argues that the U.S.'s low saving rates are to blame for the trade deficit and that if trade deficit is the Administration's primary concern, the better option would be for the administration to focus on incentives for consumers to save more.<sup>3</sup>
- Krueger also argues that improving the Government's fiscal position would also help balancing the trade deficit - either by reducing the fiscal government's spending or raising taxes.

**Imposing artificial trade barriers to cut down the trade imbalance would weaken America's competitive advantages against China and other global economies.**

Mexico and the U.S. do not simply trade goods; they work together to manufacture them.

For instance, there is a 40% U.S. value-added in Mexico's exports to the U.S., meaning that 40% of goods imported to the U.S. contain U.S.-made products.<sup>4</sup>

In fact, trade with Mexico makes American exports more competitive as more than half of U.S. imports from Mexico are either parts or raw material, crucial for the development of America's value-added export products.<sup>5</sup>

U.S. exports to Mexico benefit from Mexico's network of free trade agreements with 46 other countries, providing preferential access to 76% of the world's GDP. Therefore, restricting NAFTA access limits America's reach to these markets.<sup>6</sup>

**The U.S. trade imbalance is largely driven by U.S. energy imports. In fact, if you exclude crude oil and other energy imports, the United States had a \$41.4 billion trade surplus with Canada and Mexico in 2014.<sup>7</sup>**

The U.S. trade deficit is driven by America's need to import energy. Pursuing energy independence and maintaining strong ties with our NAFTA partners would reduce the trade imbalance, increase North American competitiveness, and make the U.S. less reliant on foreign energy producers.

In the meantime, trade in the energy sector is beneficial for all three NAFTA partners. While the U.S. imports crude oil from Mexico and Canada, it then exports refined products back to those countries and the rest of the world, while securing accessible energy prices for American consumers.

In 2014, 7.1% of American exports, worth \$103 billion, were refined petroleum products.<sup>8</sup>

In 2014, \$13.7 billion worth of refined petroleum were exported to Canada.<sup>9</sup> \$19.3 billion worth of refined petroleum were exported to Mexico.<sup>10</sup>

Trade deficits and surpluses vary over time. For instance, in 2014 America enjoyed a trade surplus with NAFTA partners across all three major sectors of the U.S. economy:<sup>11</sup>

Manufacturing: U.S. trade surplus of \$21.5 billion in 2014.

U.S. manufacturing output rose faster in the 15 years after NAFTA entered into force than in the 15 years before.

Services: U.S. trade surplus of \$41.8 billion in 2014.

Agriculture, food & beverages: U.S. trade surplus of \$1.8 billion in 2014.

<sup>1</sup> <https://www.wsj.com/articles/trumps-looming-trade-crack-up-1504653219?mg=prod/accounts-wsj>

<sup>2</sup> <https://www.cbr.org/background/us-trade-deficit-how-much-does-it-matter>

<sup>3</sup> <https://www.ft.com/content/33138fda-a20f-11e7-b797-b61809486fe2?myftTopics=d4a3c6a4-87a0-3f0f-b61b-e1531fd6c00d#myftmy-news-grid>

<sup>4</sup> Source: NBER, Global Value database in Koozman, Powers, Wang, Wei (September 2010, revised March 2011)

<sup>5</sup> <https://www.ft.com/content/33138fda-a20f-11e7-b797-b61809486fe2?myftTopics=d4a3c6a4-87a0-3f0f-b61b-e1531fd6c00d#myftmy-news-grid>

<sup>6</sup> Source: NBER, Global Value database in Koozman, Powers, Wang, Wei (September 2010, revised March 2011)

<sup>7</sup> <https://waysandmeans.house.gov/the-surprising-true-story-of-nafta/>

<sup>8</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/all/show/2014/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/all/show/2014/)

<sup>9</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/can/show/2014/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/can/show/2014/)

<sup>10</sup> [http://atlas.media.mit.edu/en/visualize/tree\\_map/hs92/export/usa/mex/show/2014/](http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/usa/mex/show/2014/)

<sup>11</sup> <https://waysandmeans.house.gov/the-surprising-true-story-of-nafta/>