

Texas Border in Transition

NAFTA at 20

June 5 and 6, 2014

Jesus Cañas

Business Economist

Federal Reserve Bank of Dallas

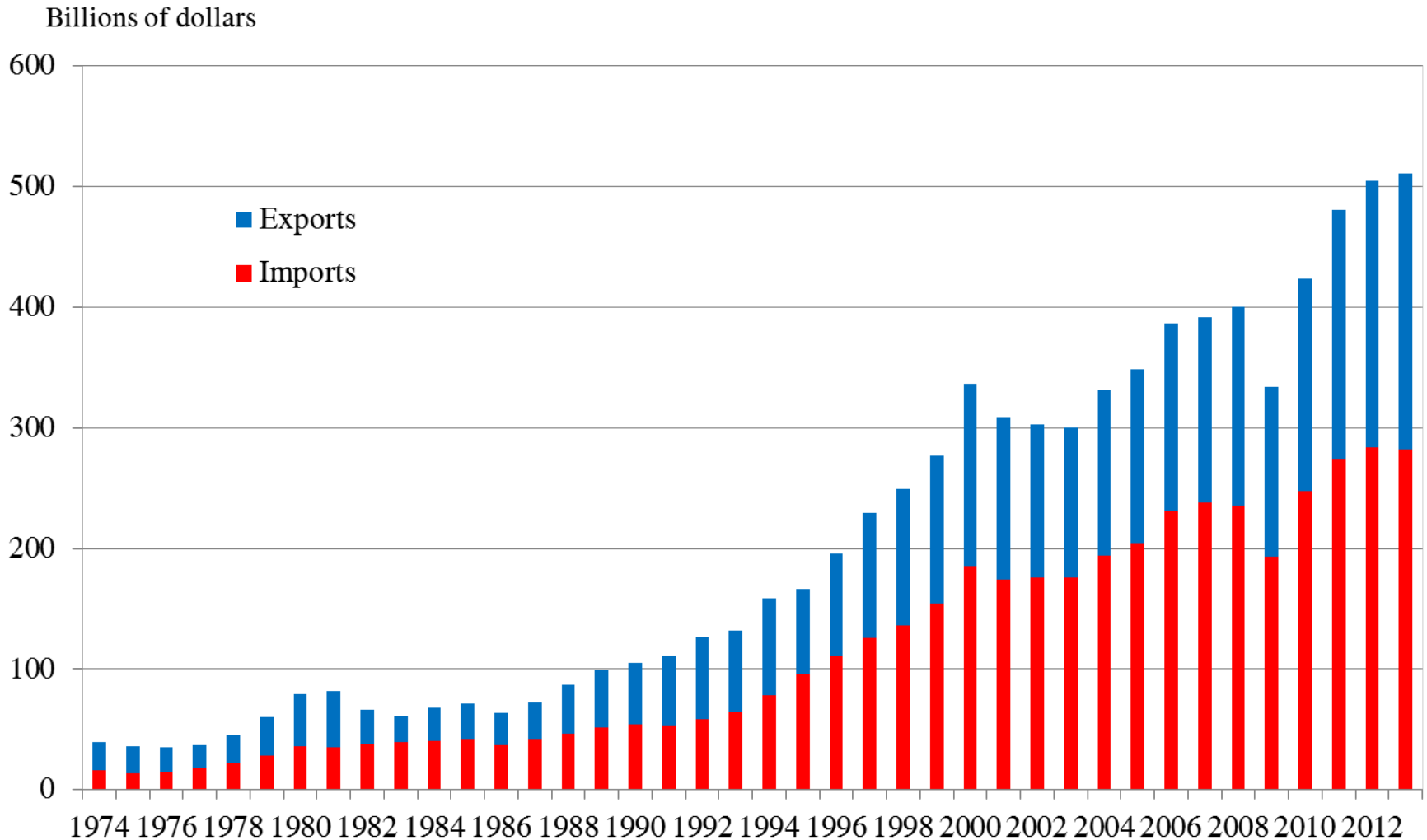
The views expressed in this presentation are strictly those of the author and do not necessarily reflect the positions of the Federal Reserve Bank of Dallas or of the Federal Reserve System. Any secondary distribution of this material is strictly prohibited. May be quoted with appropriate attribution to the author.

Outline

- U.S.-Mexico trade
 - Maquiladora
- Texas-Mexico border benefits
 - Employment
 - Recent progress in per capita income
- Summary

US-Mexico Trade

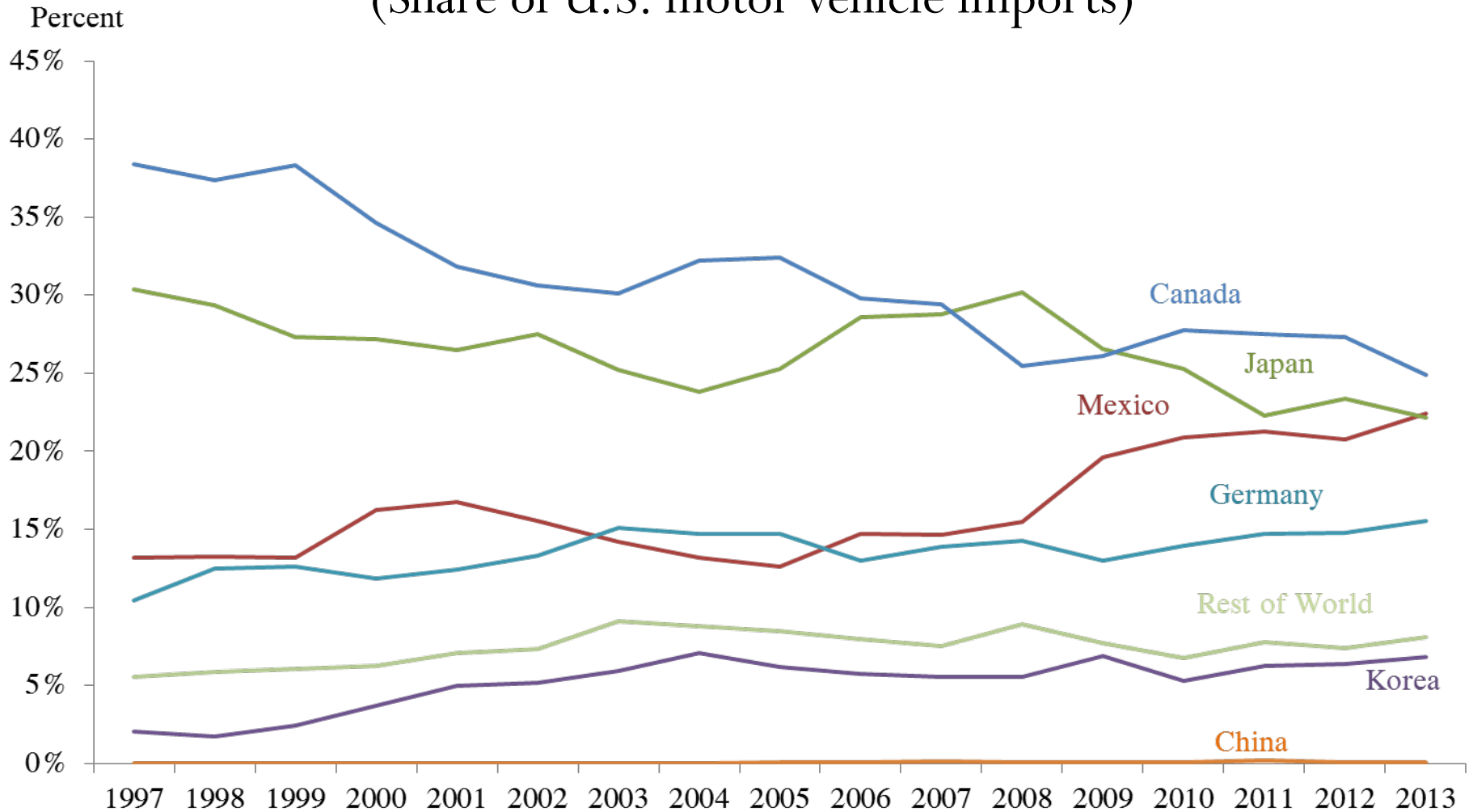
(billions of US dollars, real and s.a.)



Source: Census Bureau and author's calculations.

Mexico Tops Japan as the No. 2 Supplier of Motor Vehicles to the US

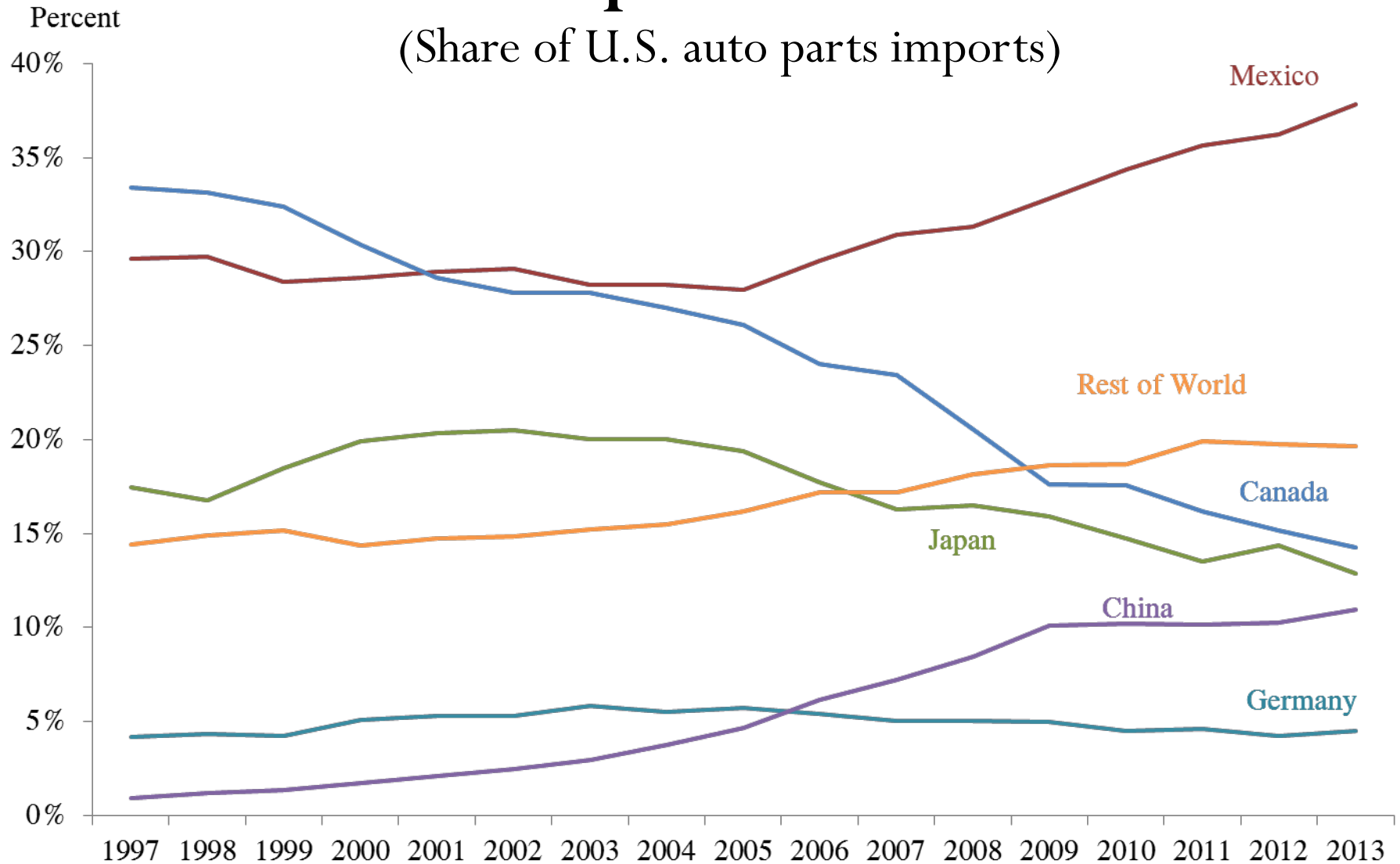
(Share of U.S. motor vehicle imports)



Source: U.S. International Trade Commission and author's calculations.

... and it has been the top exporter of auto parts since 2001

(Share of U.S. auto parts imports)



Source: U.S. International Trade Commission and author's calculations.

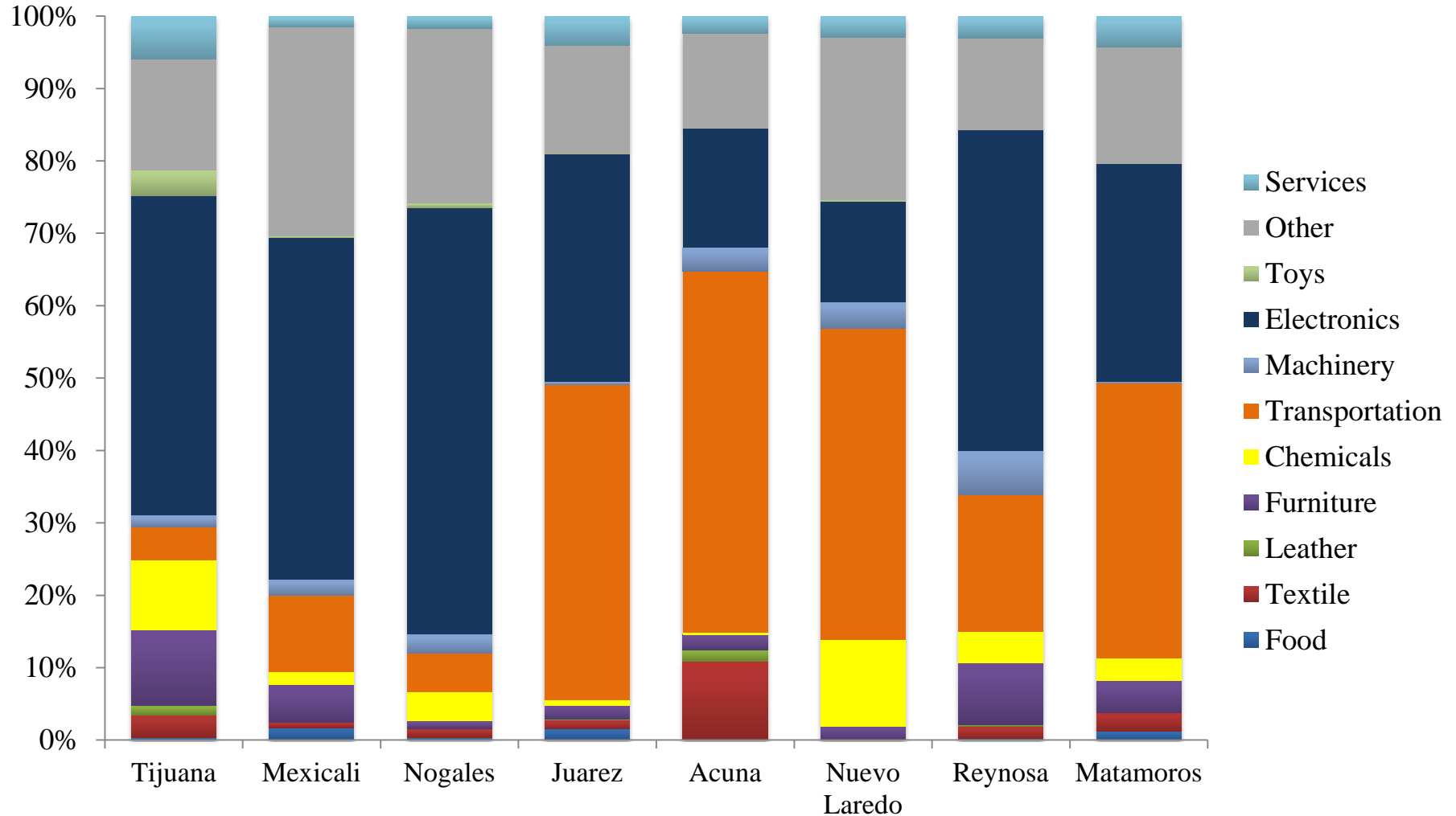
US-Mexico trade by top 10 land ports in 2013 (billions of U.S. \$)

Rank	City	Total Trade	Share of Total (%)
1	Laredo, TX	168.79	43.06
2	El Paso, TX	66.85	17.06
3	Otay Mesa – San Ysidro, CA	34.75	8.87
4	Hidalgo, TX	26.84	6.85
5	Nogales, AZ	23.52	6.00
6	Eagle Pass, TX	21.65	5.52
7	Santa Teresa, NM	19.89	5.07
8	Brownsville – Cameron, TX	15.39	4.00
9	Calexico, CA	7.28	1.86
10	Del Rio, TX	4.11	1.05
11	Other	2.87	0.73
	Total	391.94	

Source: Texas Center for Border Economic and Enterprise Development, Texas A&M International University

Maquiladora jobs distribution along the border

Texas: *automotive*



Maquiladoras impact by border city

- 10 percent increase in maquiladora output leads to an increase in the adjacent U.S. city as follows:
 - 3 percent increase in total employment in El Paso
 - 3.6 percent increase in total employment in Laredo
 - 1.9 percent increase in total employment in Brownsville
 - 5.9 percent increase in total employment in McAllen

Maquiladoras drive employment growth in Texas border cities

Estimation method: IV	El Paso	Laredo	McAllen	Brownsville
City Level	2.77*	4.62	6.58*	2.21
Construction	0.20	3.19	4.04*	1.29*
Manufacturing	-1.28	1.02	1.64	0.66
Transportation	5.30*	7.21*	6.63*	4.6*
Wholesale	0.43	1.96	4.01*	0.84
Retail	1.31	0.66	3.21*	1.34*
FIRE	2.12*	8.23*	4.63*	0.64
Services	1.84*	5.93*	7.38*	3.89*

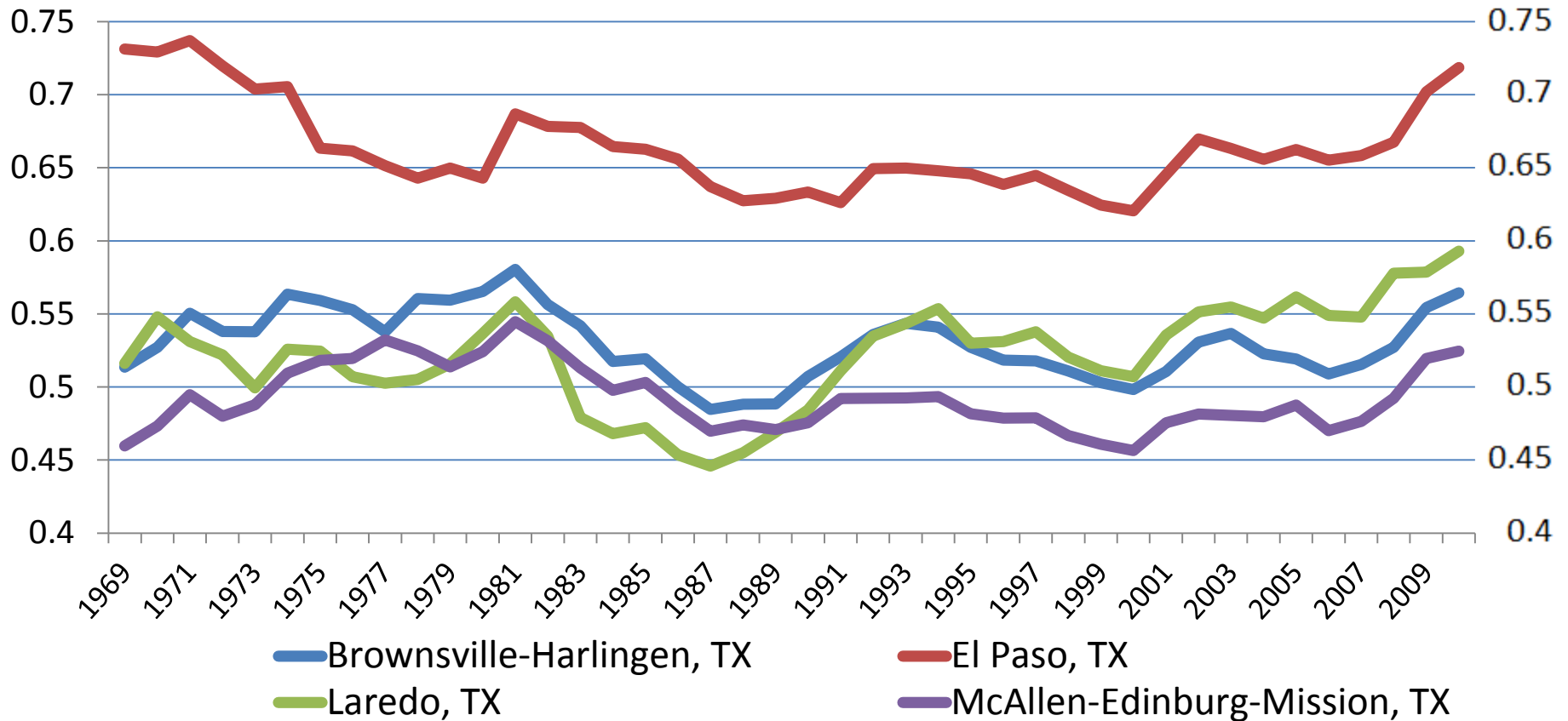
Notes: This table shows elasticity estimates. That is the table shows the percentage increase in local employment from a 10 percent increase in maquiladora production for each Texas Border Cities. * indicates significant at the 10% level.

Source: J. Cañas, R. Coronado, R. Gilmer, E. Saucedo (2011) “The Impact of Maquiladoras on U.S. Border Cities”, Federal Reserve Bank of Dallas, working paper.

Maquiladoras impact changed over time...

- The impact has switched from manufacturing to services
- Texas border cities supply maquiladoras business services such as accounting and legal, transportation and warehousing
- Good news since these type of jobs pay higher wages

Per capita income in Texas border cities, (As a share of the US level)



Source: Bureau of Economic Analysis, Haver Analytics

Summary

- Border cities are at strategic locations in the North American market.
- Texas border cities supply business services.
- We see some progress in per capita income growth in Texas border cities

The views expressed in this presentation are strictly those of the author and do not necessarily reflect the positions of the Federal Reserve Bank of Dallas or of the Federal Reserve System. Any secondary distribution of this material is strictly prohibited. May be quoted with appropriate attribution to the author.

Border economy in transition

- Employment migrating from manufacturing to services

	1990 Mfg.	2011 Mfg.	1990 Services	2011 Services
El Paso	20%	6%	73%	85%
Laredo	4%	1%	86%	91%
McAllen	14%	3%	74%	87%
Brownsville	16%	4%	76%	88%

Source: Bureau of Economic Analysis

- Per capita income closing gap with national levels