



# US-MEXICO MANUFACTURING: BACK IN THE RACE

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OPENING REMARKS



# OVERVIEW

- Trade with Mexico has been key to Texas export growth in post-recession period
- Foundation for U.S.-Mexico trade is NAFTA
- Recently: Capital flows continue but labor flows have dropped off



# TRADE



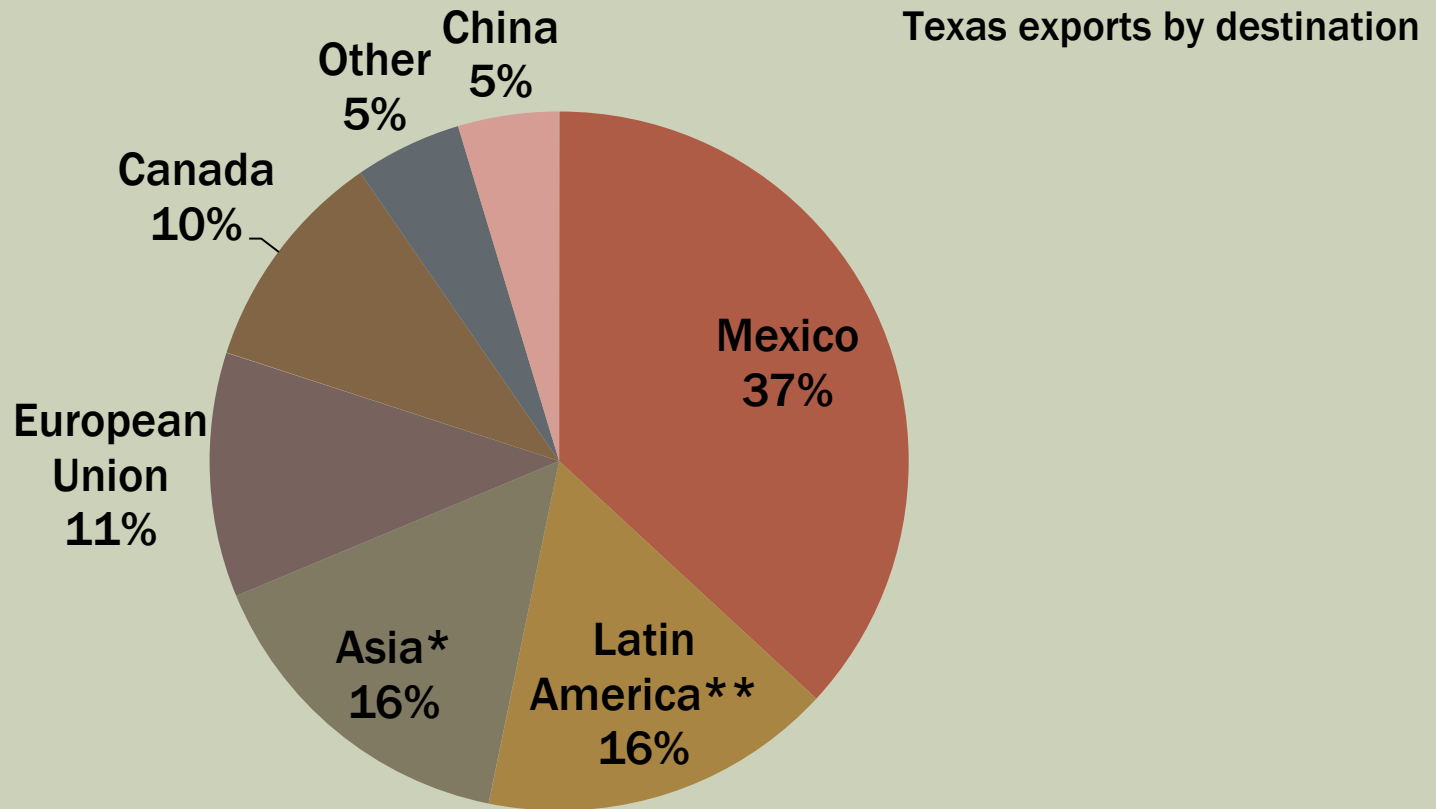
# AMERICAS KEY IN RECOVERY OF TEXAS EXPORTS AFTER RECESSION



NOTES: Texas exports by country/region. \*Asia excludes China ; \*\*Latin America excludes Mexico.

SOURCES: U.S. Census Bureau; Wisetrade.

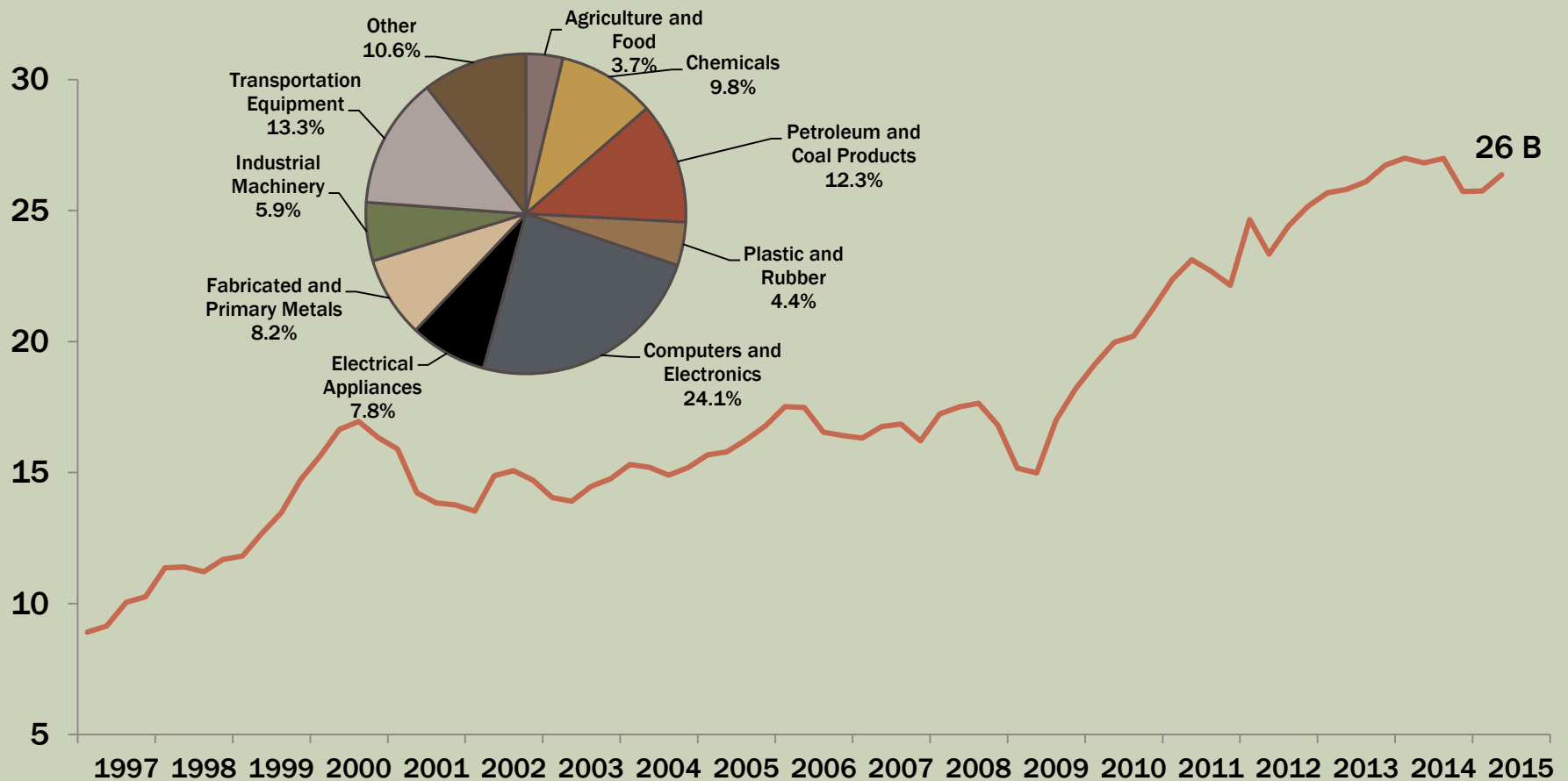
# MEXICO IS BY FAR TEXAS' BIGGEST TRADE PARTNER



NOTES: Data for 2015 Q2. \*Asia excludes China ; \*\*Latin America excludes Mexico.  
SOURCES: U.S. Census Bureau; Wisertrade.

# TEXAS EXPORTS TO MEXICO INCREASING, DIVERSE

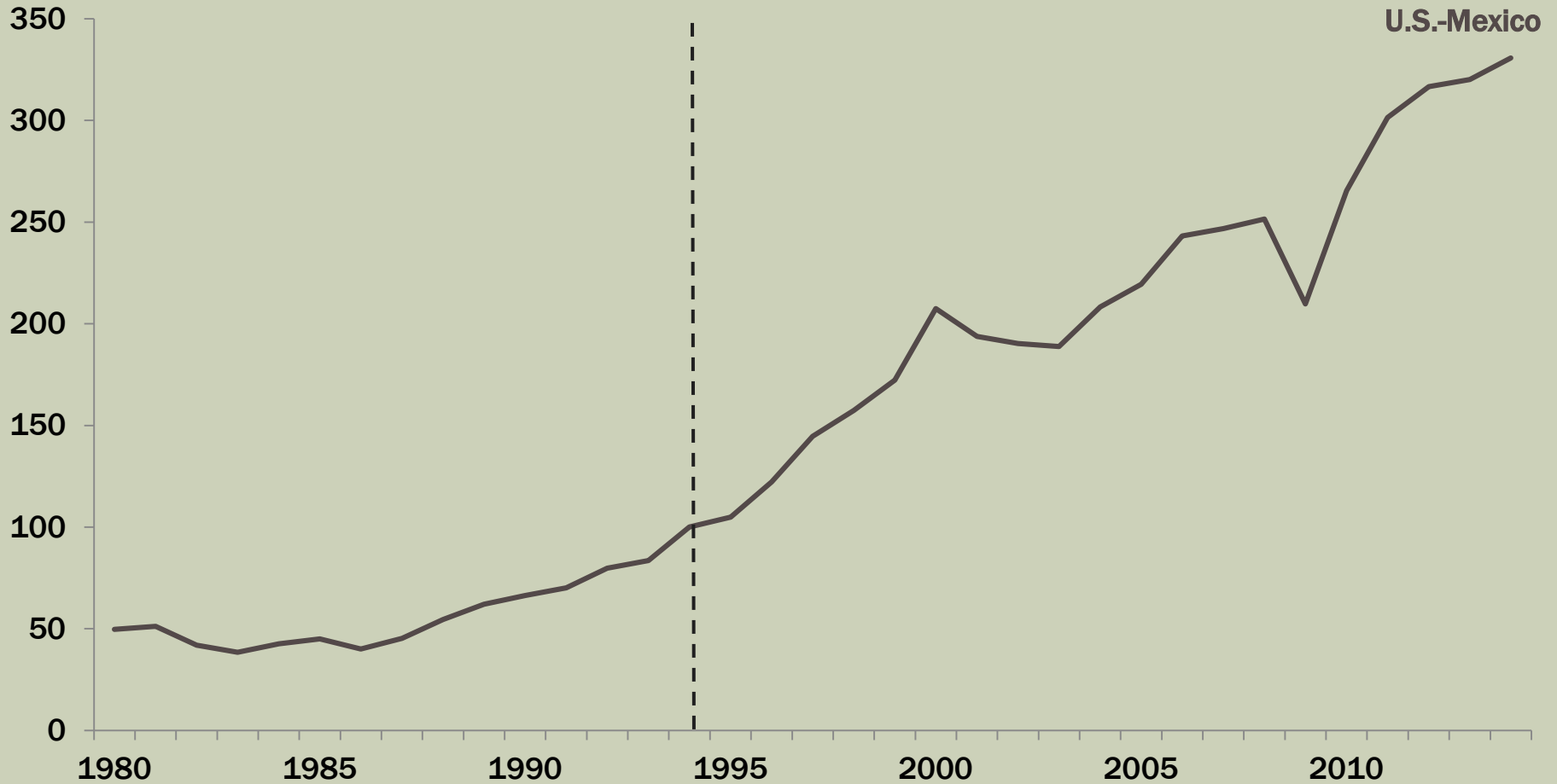
Billions of 2015 \$



SOURCE: Wisier Trade.

# U.S. TRADE WITH MEXICO GROWS FASTER POST-NAFTA

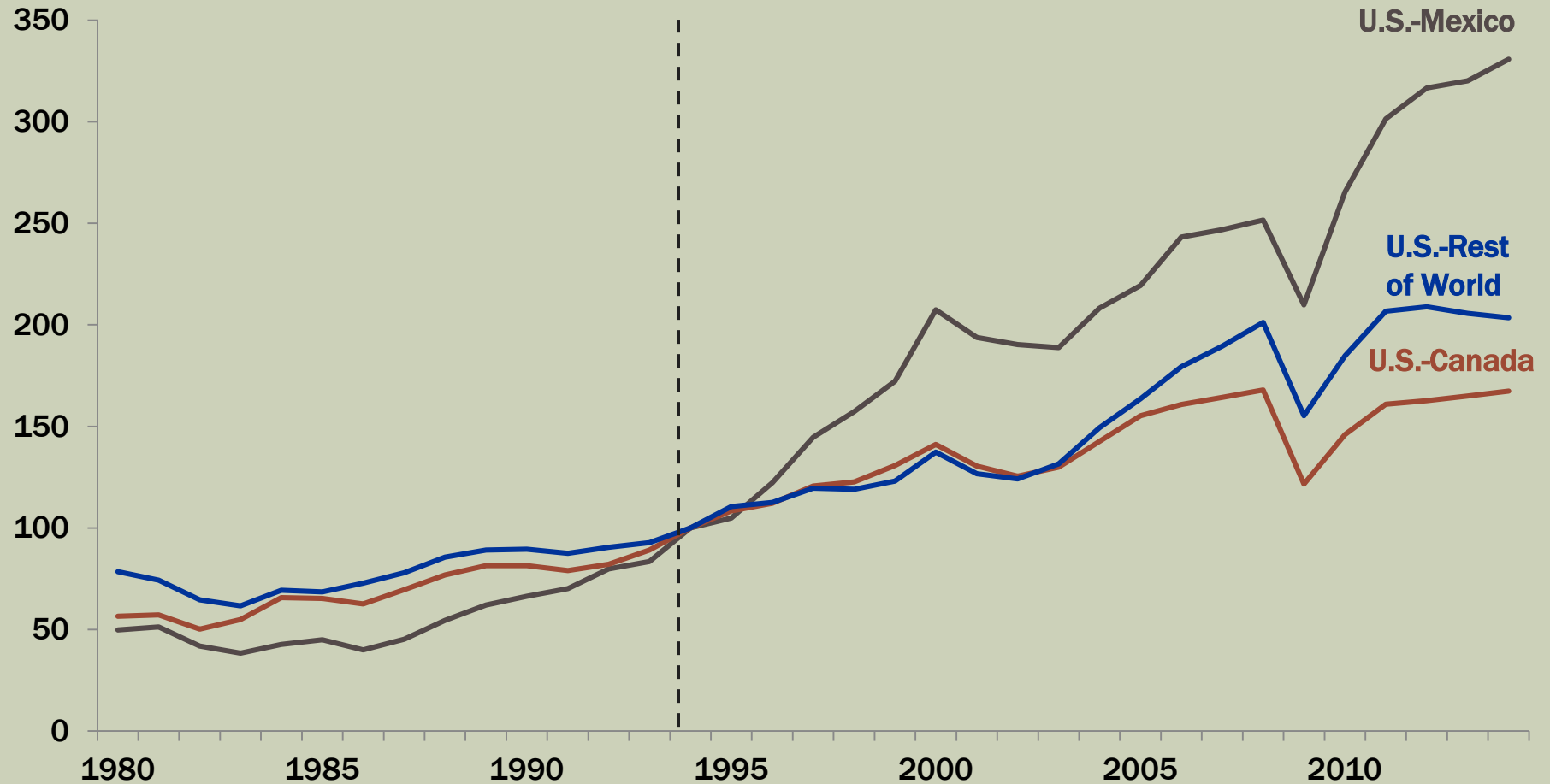
2014 U.S. \$, Index, 1994=100



SOURCE: IMF.

# U.S. TRADE WITH MEXICO GROWS FASTER POST-NAFTA

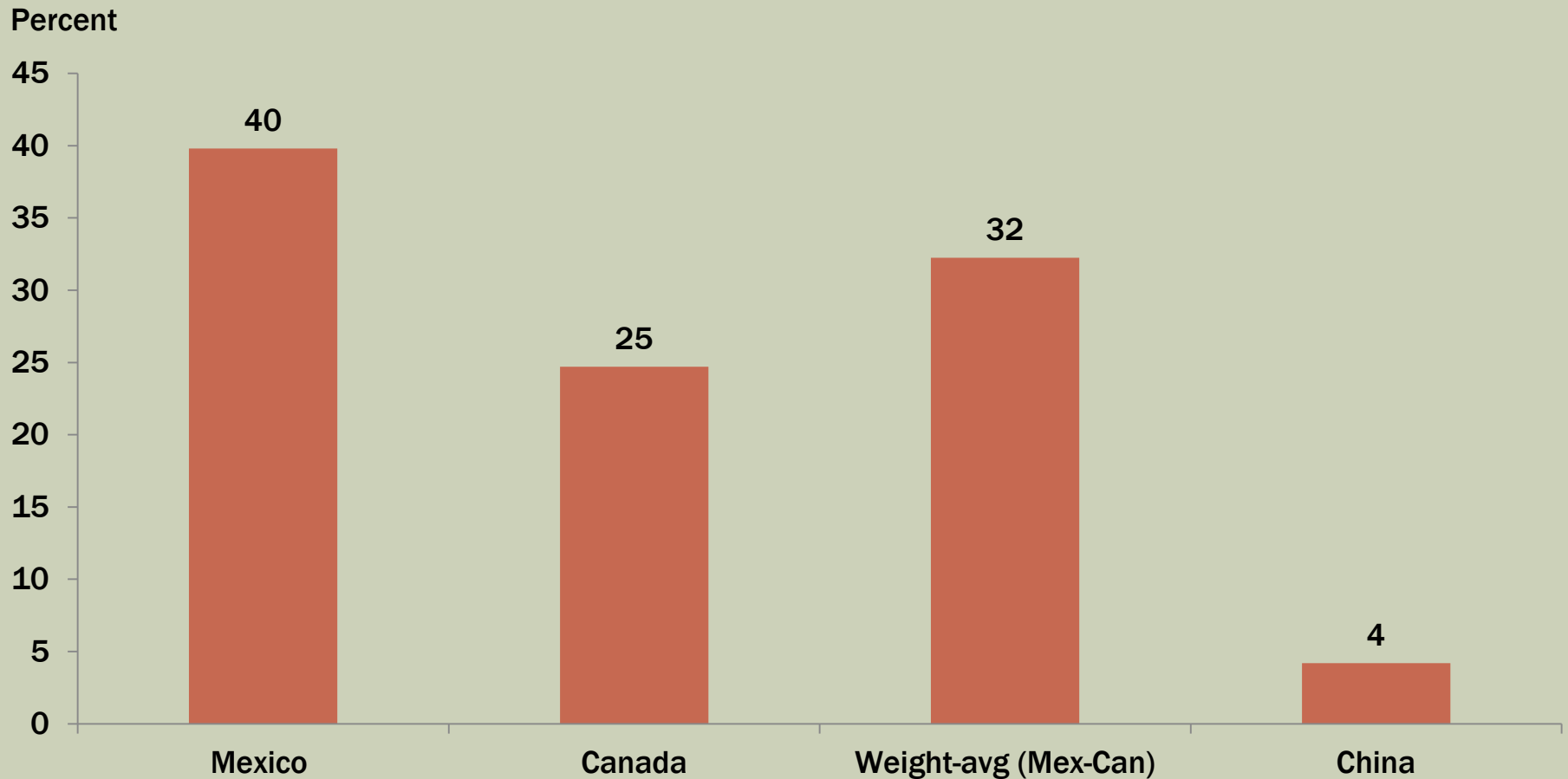
2014 U.S. \$, Index, 1994=100



SOURCE: IMF.



# U.S. CONTENT HIGHEST IN IMPORTS FROM MEXICO, CANADA

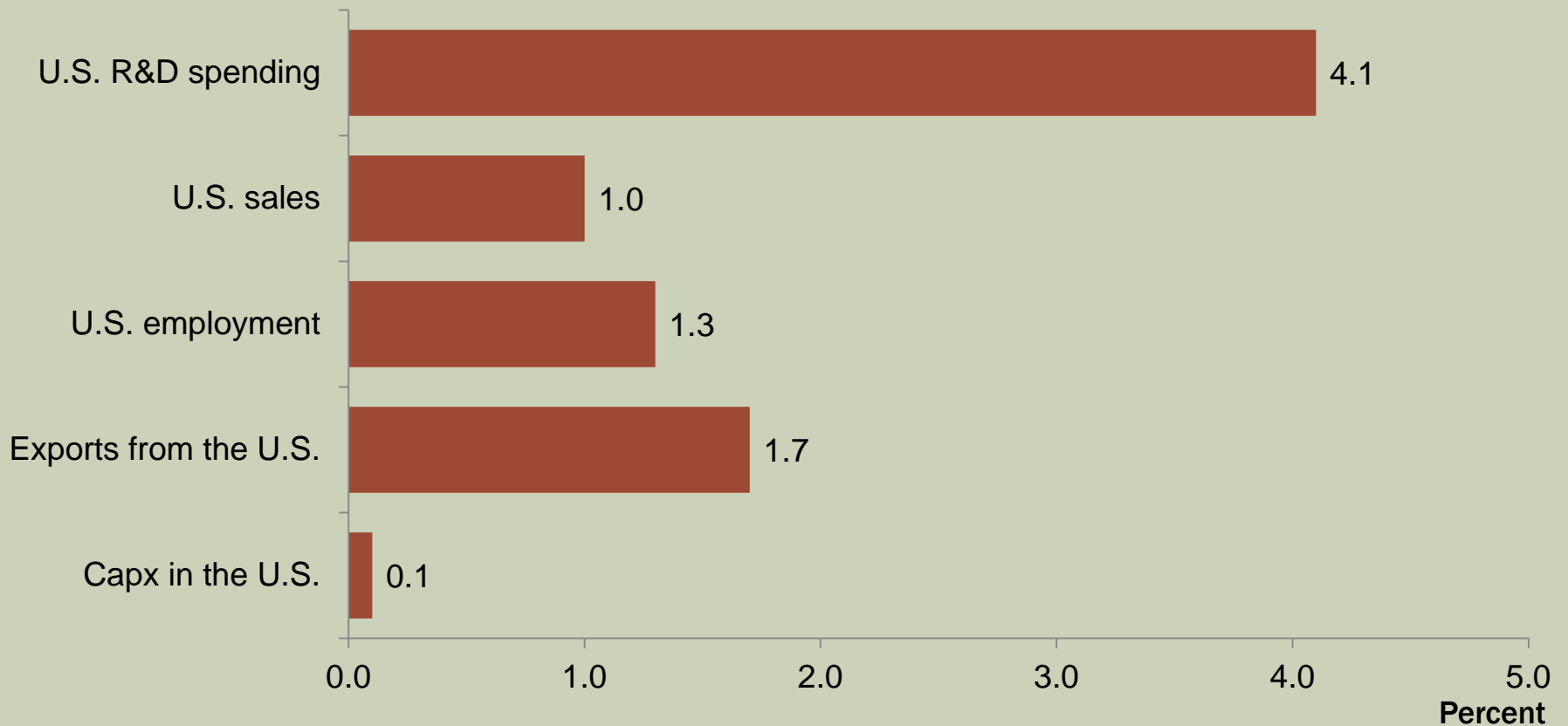


SOURCE: Robert Koopman, William Powers, Zhi Wang, and Shang-Jin Wei, "Give Credit Where Credit is Due," NBER Working Paper No. 16426, 2011.

NOTE: Data is from 2004.

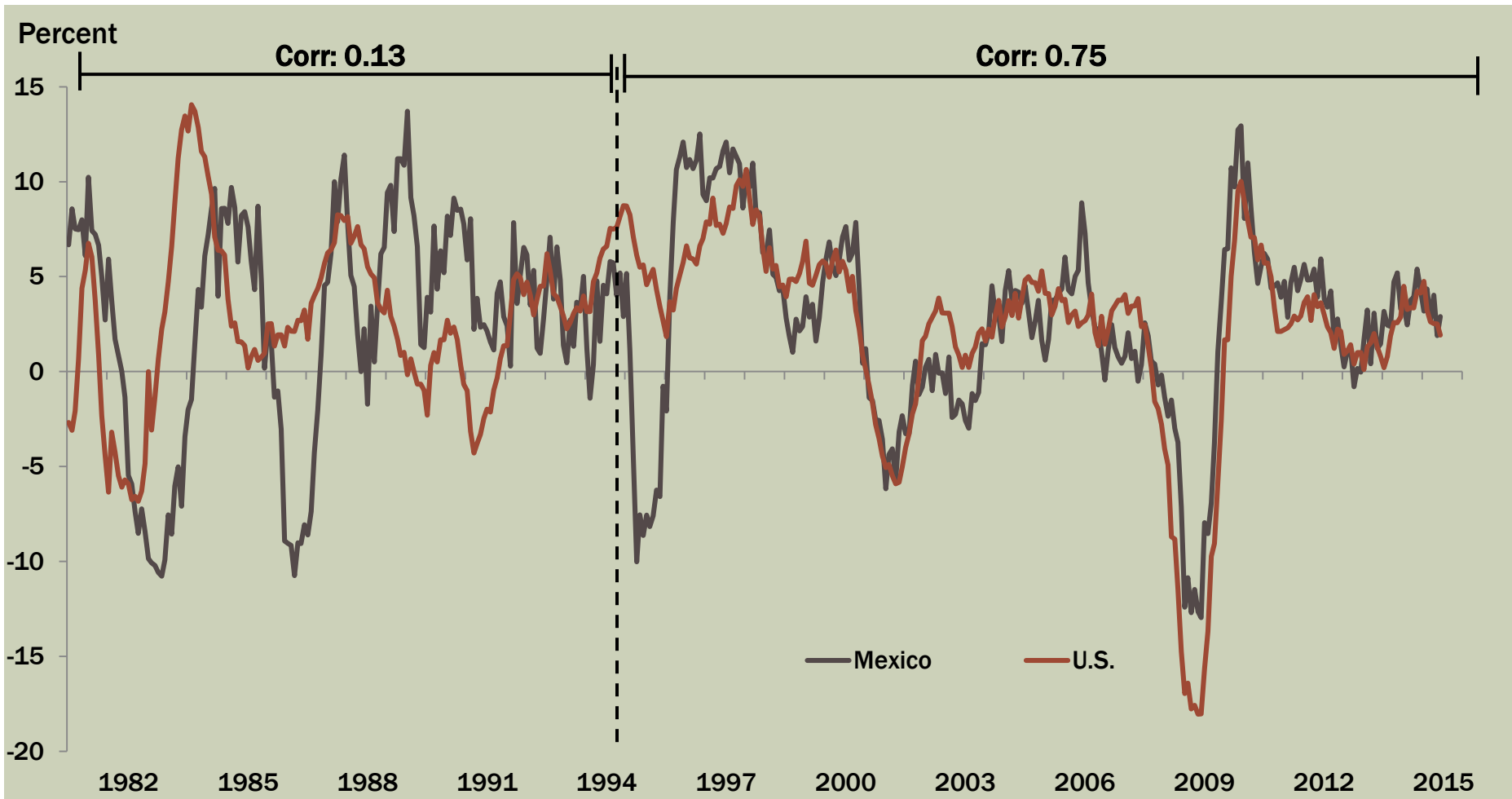
# FIRM-LEVEL EVIDENCE OF THE BENEFITS OF MEXICAN AFFILIATES

10% increase in employment at Mexican affiliates of U.S. firms is associated with:



SOURCE: Lindsay Oldenski, Peterson Institute for International Economics and Georgetown University, "American Manufacturing Growth Since NAFTA." 2014.

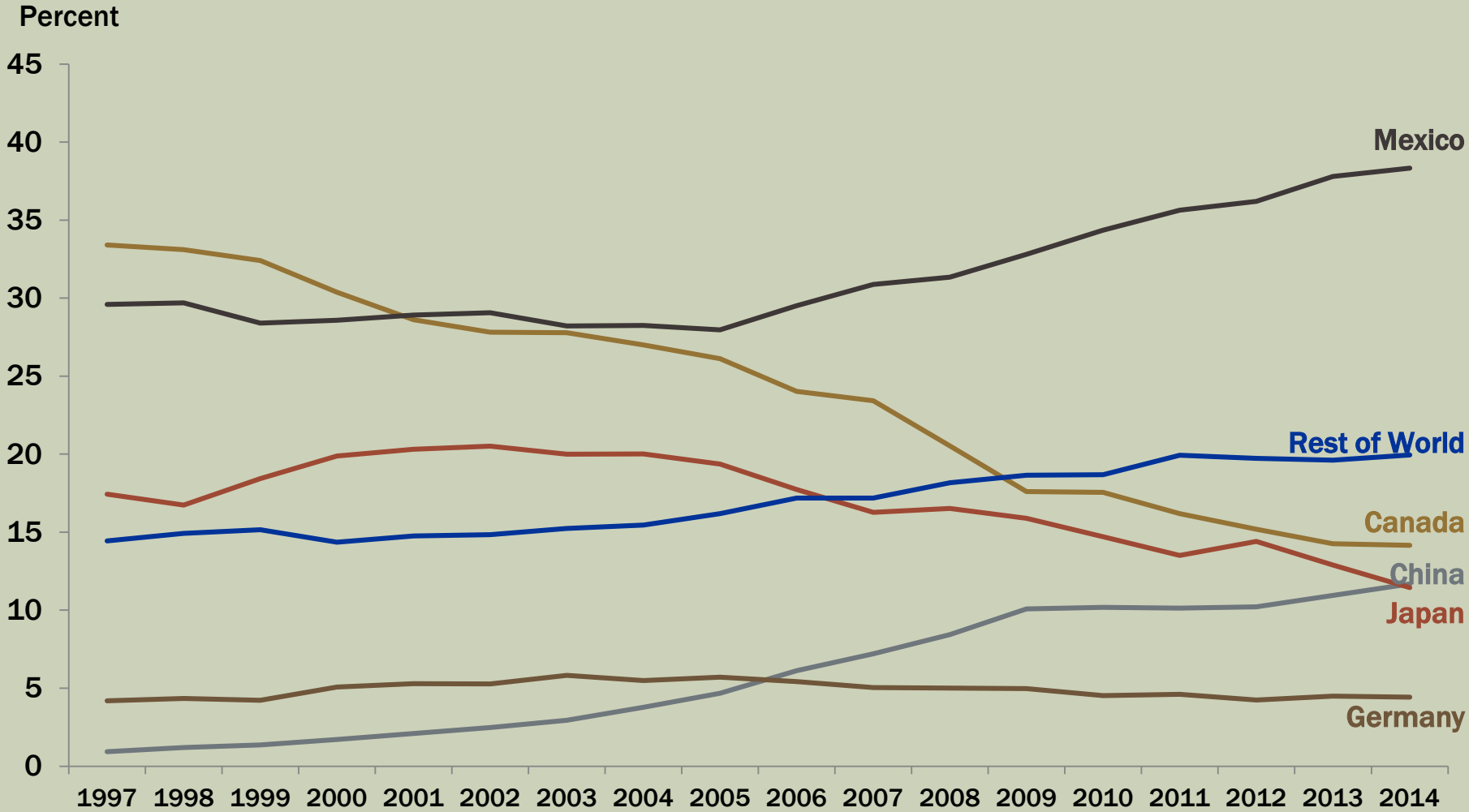
# U.S. AND MEXICO BUSINESS CYCLE SYNCHRONICITY GROWS POST NAFTA



NOTE: Monthly changes in manufacturing component of industrial production.

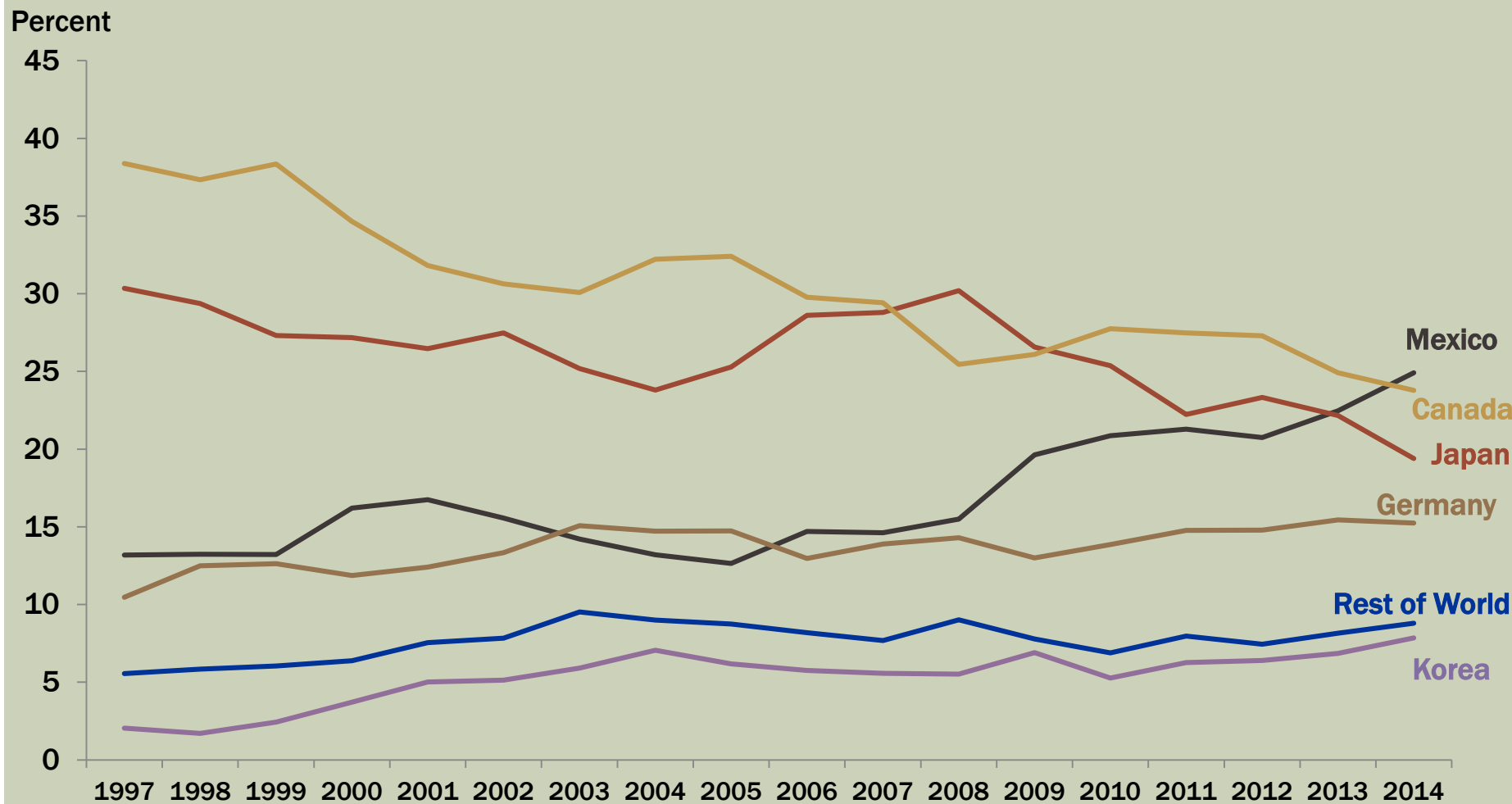
SOURCES: INEGI; Federal Reserve Board.

# MEXICO BIGGEST U.S. SUPPLIER OF MOTOR VEHICLE PARTS



SOURCE: U.S. International Trade Commission.

# MEXICO FIRST IN SHARE OF U.S. MOTOR VEHICLE IMPORTS



SOURCE: U.S. International Trade Commission.

# “WE NEED MORE NAFTA, NOT LESS”

Wednesday, October 7, 2015

The Dallas Morning News

Home News Business Sports Entertainment Arts & Life Opinion Obits Marketplace DMNstore


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Business > Columnists > Mitchell Schnurman

## Mitchell Schnurman

### Schnurman: We need more NAFTA, not less

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Susana Gonzalez/Bloomberg

An employee works on the assembly line producing the new Ford Fiesta car, at the Ford Motor Co. plant in Cuautlan Izcalli, Mexico in May 2010. Since NAFTA passed 21 years ago, Mexico has become a world-class auto manufacturer, which has improved prospects for the entire industry in North America.

Mitchell Schnurman

Published: 20 June 2015 06:59 PM  
Updated: 20 June 2015 07:55 PM

When Democrats recently rejected a trade proposal involving Pacific nations, some cited the North American Free Trade Agreement as a turning point for working Americans.

“Since NAFTA, we have hollowed out the middle class,” a California congressman said, pointing to a drop in manufacturing jobs and stagnation in wages.

But Texas has been booming since the law passed 21 years ago. The state has added over 4 million jobs, which is more new hires than larger California and twice the growth rate of the nation.

Trade with Mexico and Canada has taken off, and Texas exports to Mexico have nearly tripled. Foreign investment in all three countries has soared. And U.S. trade in private services, a national strength, tripled to \$30 billion in Mexico and increased even more in Canada.

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See Selected Risk Information below

JANUVIA is a once-daily prescription pill that, along with diet and exercise, helps lower blood sugar levels in adults with type 2 diabetes.

JANUVIA should not be used in patients with type 1 diabetes or with diabetes ketoacidosis (increased ketones in the blood or urine). If you have had pancreatitis (inflammation of the pancreas), it is not known if you have a higher chance of getting it while taking JANUVIA.

**SCROLL DOWN TO VIEW Selected Risk Information About JANUVIA**

Selected side effects can happen in people who take JANUVIA, including pancreatitis, which may be severe and lead to death. Before you start taking JANUVIA, tell your doctor if you've ever had pancreatitis. Stop taking JANUVIA and call your doctor right away if you have pain in your stomach area (abdomen) that is severe and will not go away. The pain may be felt going from your abdomen through to your back. The pain may happen with or without vomiting. These may be symptoms of pancreatitis.

Do not take JANUVIA if you are allergic to any of its ingredients, the leading ingredient. Symptoms of serious allergic reactions include:

Januvia  
sitagliptin

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Video >

Tech Review: Samsung Galaxy Note 4 (Bloomberg)

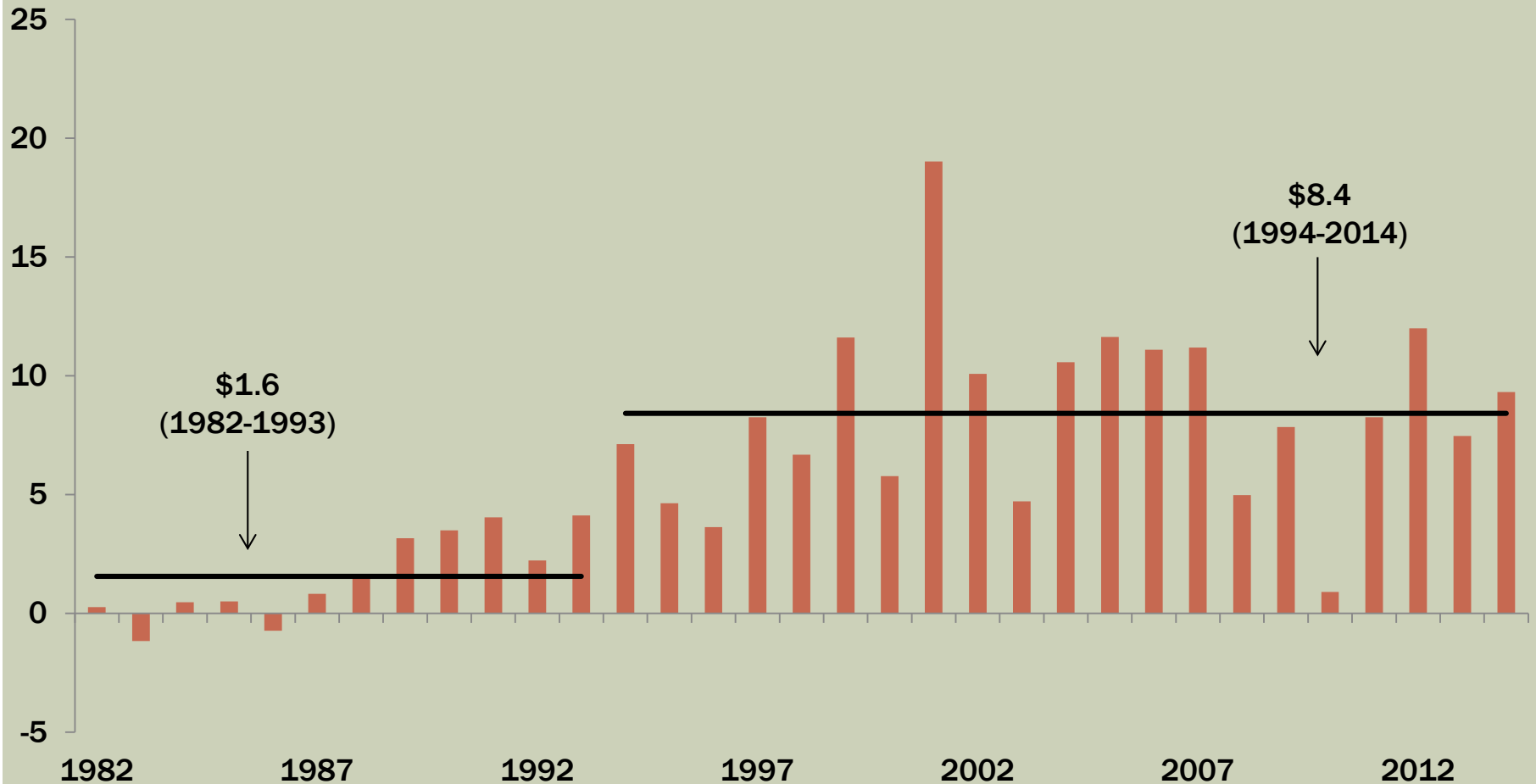


# FOREIGN DIRECT INVESTMENT (FDI)



# U.S. FDI IN MEXICO HIGHER SINCE NAFTA

Billions of 2014 U.S. \$

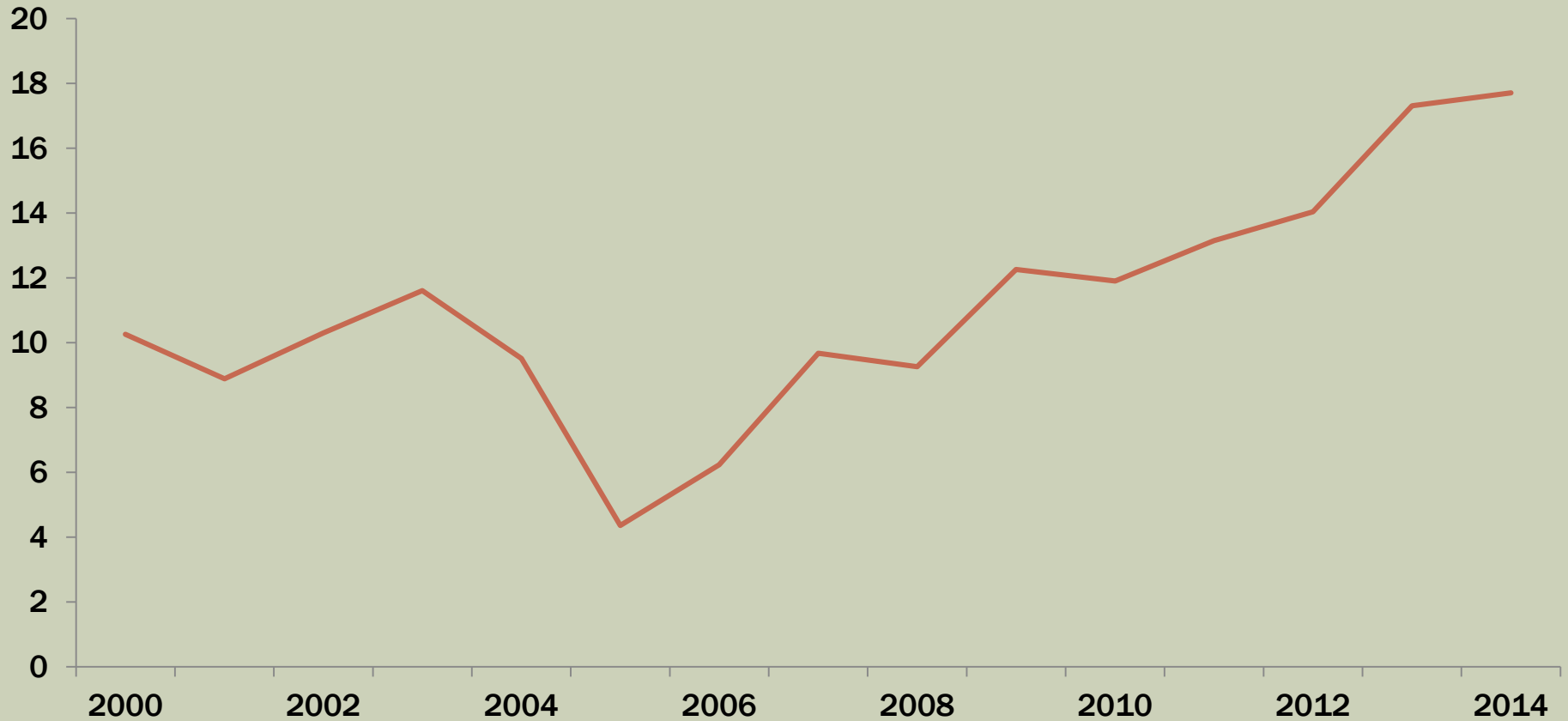


SOURCE: BEA.



# MEXICO'S INVESTMENT IN U.S. RISING TOO

Billions of 2014 U.S. \$



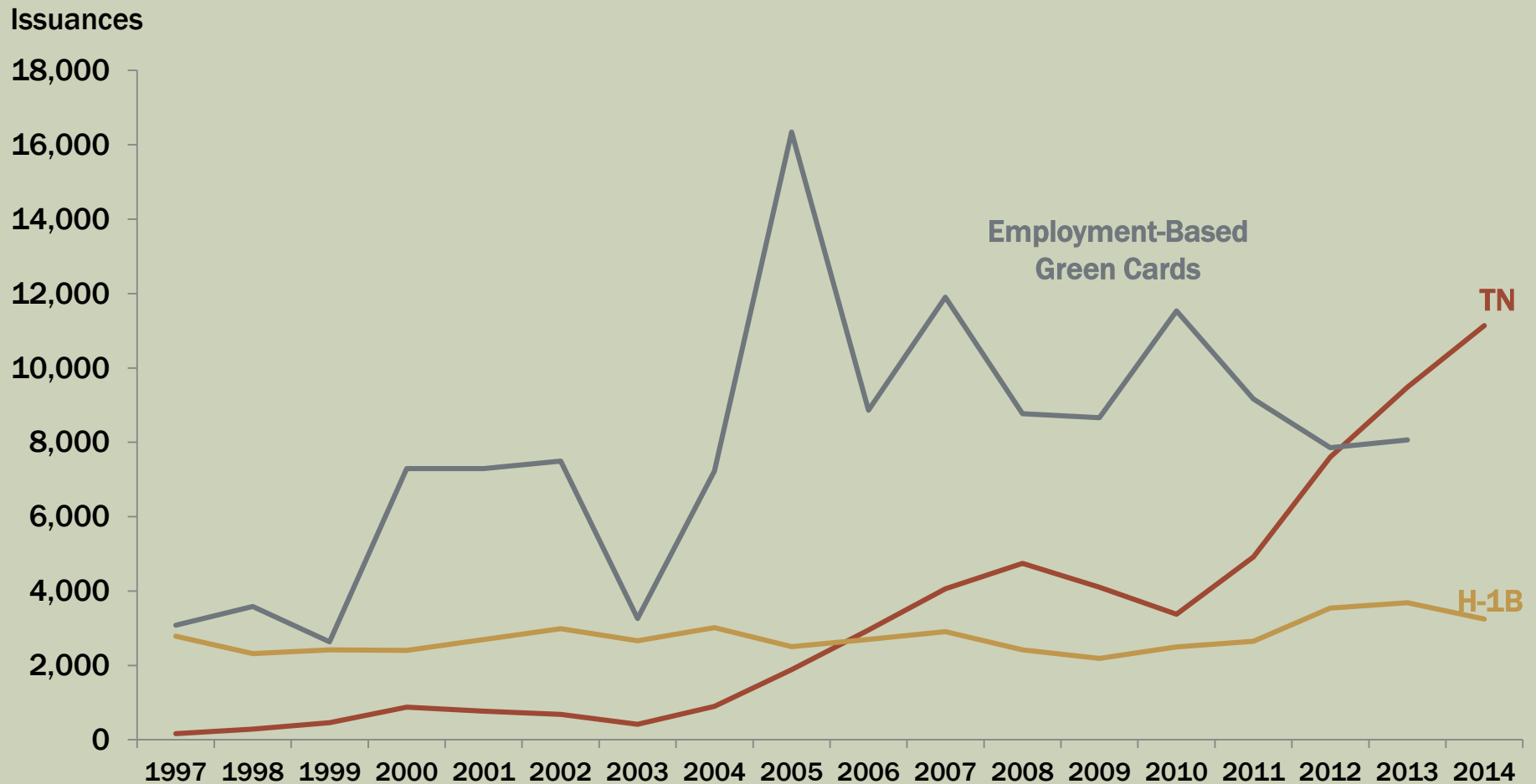
SOURCE: Bureau of Economic Analysis.



# MIGRATION AND REMITTANCES



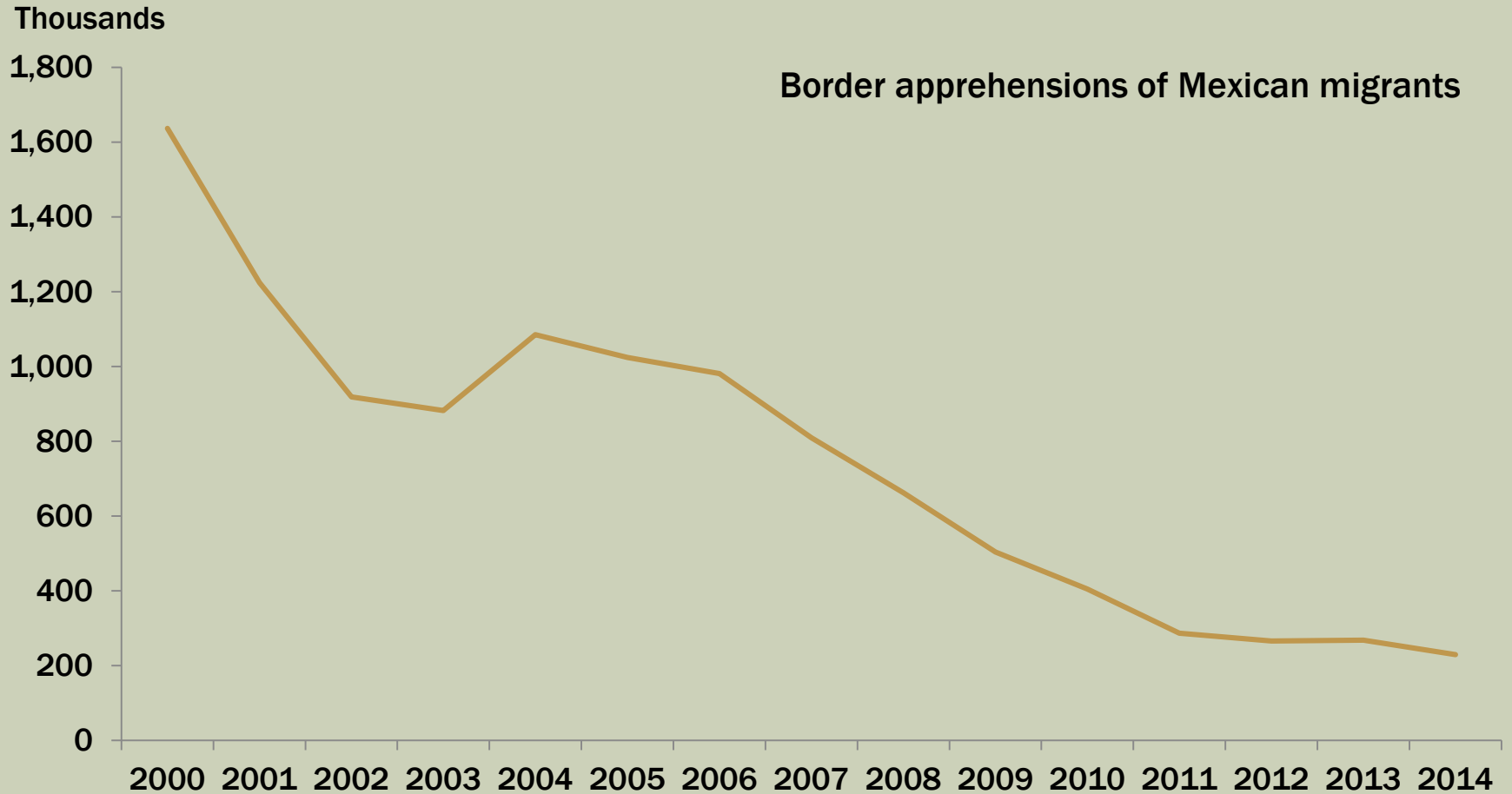
# VISAS RISING FOR HIGH-SKILLED MIGRANTS FROM MEXICO



NOTE: Last data point is 2014 for TN and H-1B and 2013 for green cards.

SOURCES: U.S. State Department; Department of Homeland Security.

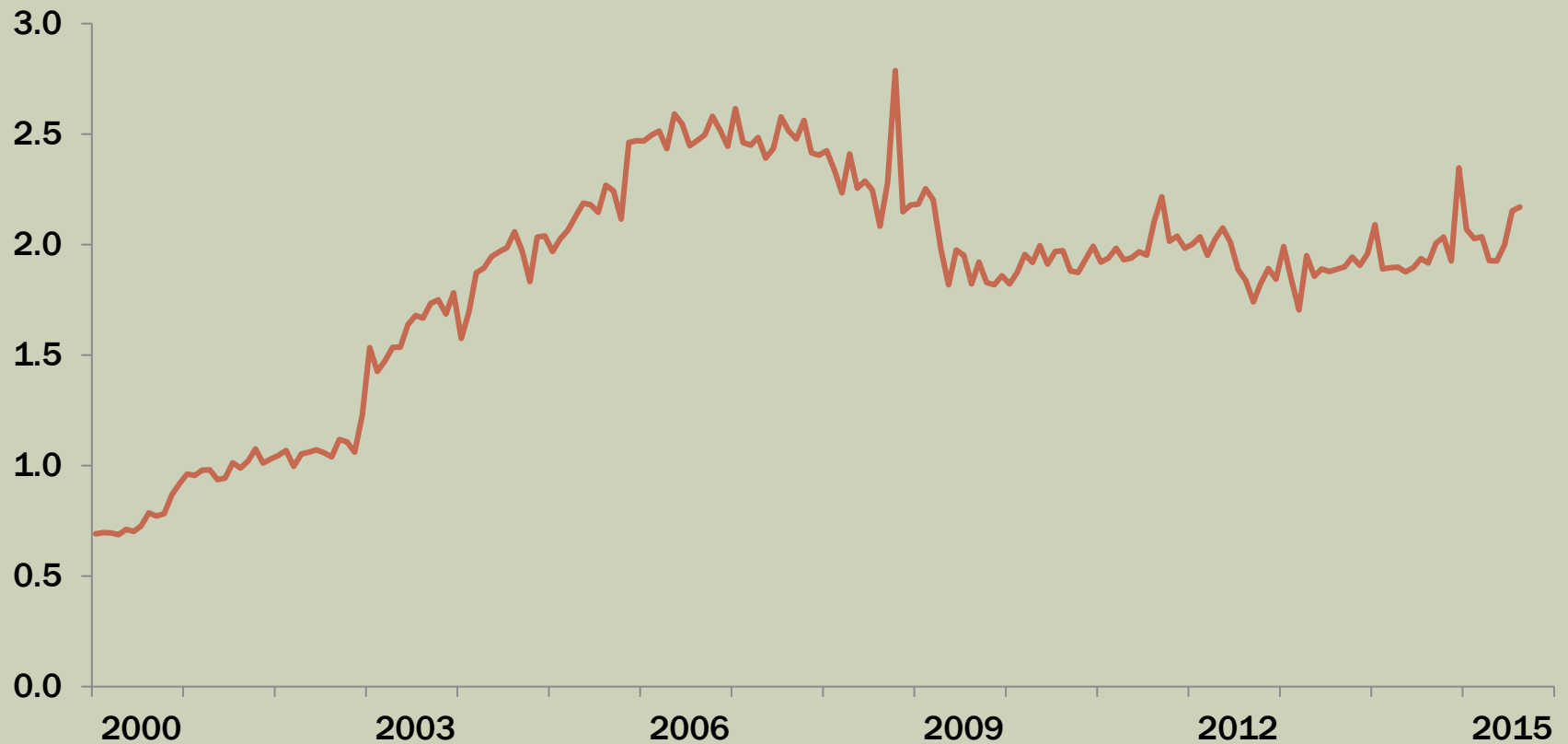
# BUT REST OF MEXICAN MIGRATION IS DECLINING



Source: U.S. Border Patrol

# REMITTANCES TO MEXICO STABLE

Billions of 2014 U.S.\$



Note: Seasonally adjusted. Last data point is August 2015.

SOURCE: Banco de Mexico.

# TAKE AWAYS

- Net benefits to trade, migration
  - Adjustment costs
  - Consumers are the winners
- NAFTA successful framework
  - Maquiladoras: 50 years

# U.S. TRADE WITH NAFTA PARTNERS MORE THAN DOUBLED SINCE 1993

	1993	2014	
<b>Exports</b>	<b>Billions of Dollars</b>		<b>% Change</b>
Canada	164.6	312.4	90
Mexico	68.1	240.2	253
<b>Imports</b>			
Canada	182.2	347.8	91
Mexico	65.4	294.1	350

SOURCE: U.S. Census Bureau.

NOTE: Data is in billions of 2014 U.S. dollars.

# SUMMARY AND OUTLOOK

- **NAFTA scorecard**
  - Succeeded in raising trade, investment with few adverse effects on U.S. labor markets
  - Consumers benefited from lower prices, higher quality goods
  - Created a world class manufacturing sector in Mexico
  - But failed to lift growth, close the gap with richer neighbors

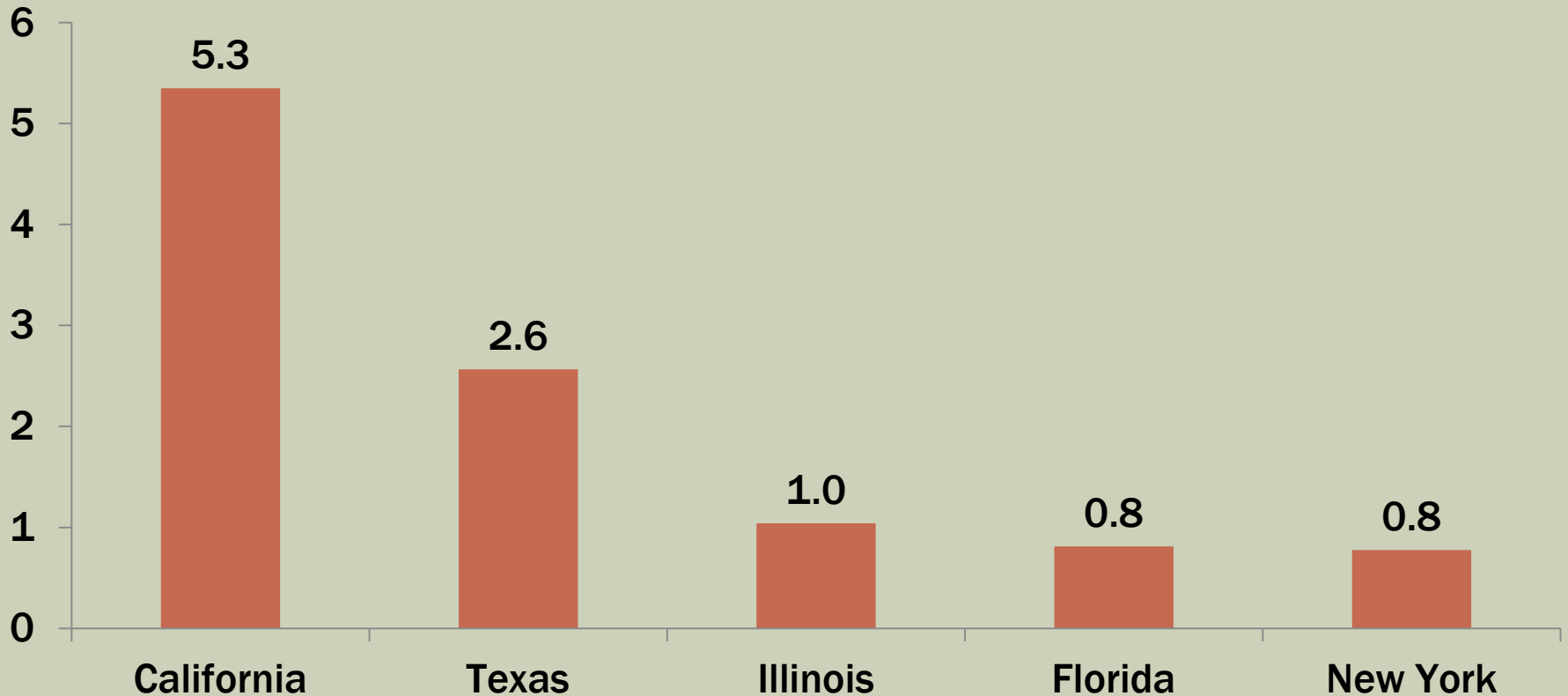


# WHO'S INVESTING WHERE?

- **FDI in Mexico hit a record high in 2013**
  - Anheuser-Busch acquired Grupo Modelo for \$20.1 billion
  - U.S. companies with big commitments to Mexico include car makers, auto parts makers, banks, and retailers
- **FDI in U.S. from Mexico, Canada rises 4-fold after NAFTA**
  - Grupo Bimbo, Gruma, and Grupo Herdez

# REMITTANCES TO MEXICO: TOP SENDING STATES

Billions of \$



SOURCE: Banco de Mexico.