



**Transition from NAFTA to USMCA
October 2018
-New Trade Deal Removes Uncertainty-**

SECRETARÍA DE ECONOMÍA MÉXICO

MX-US Trade
www.naftamexico.net
More information:
naftadsk@naftamexico.net

North America's economic development & success depends on a strong regional trade partnership



POPULATION

480
Million

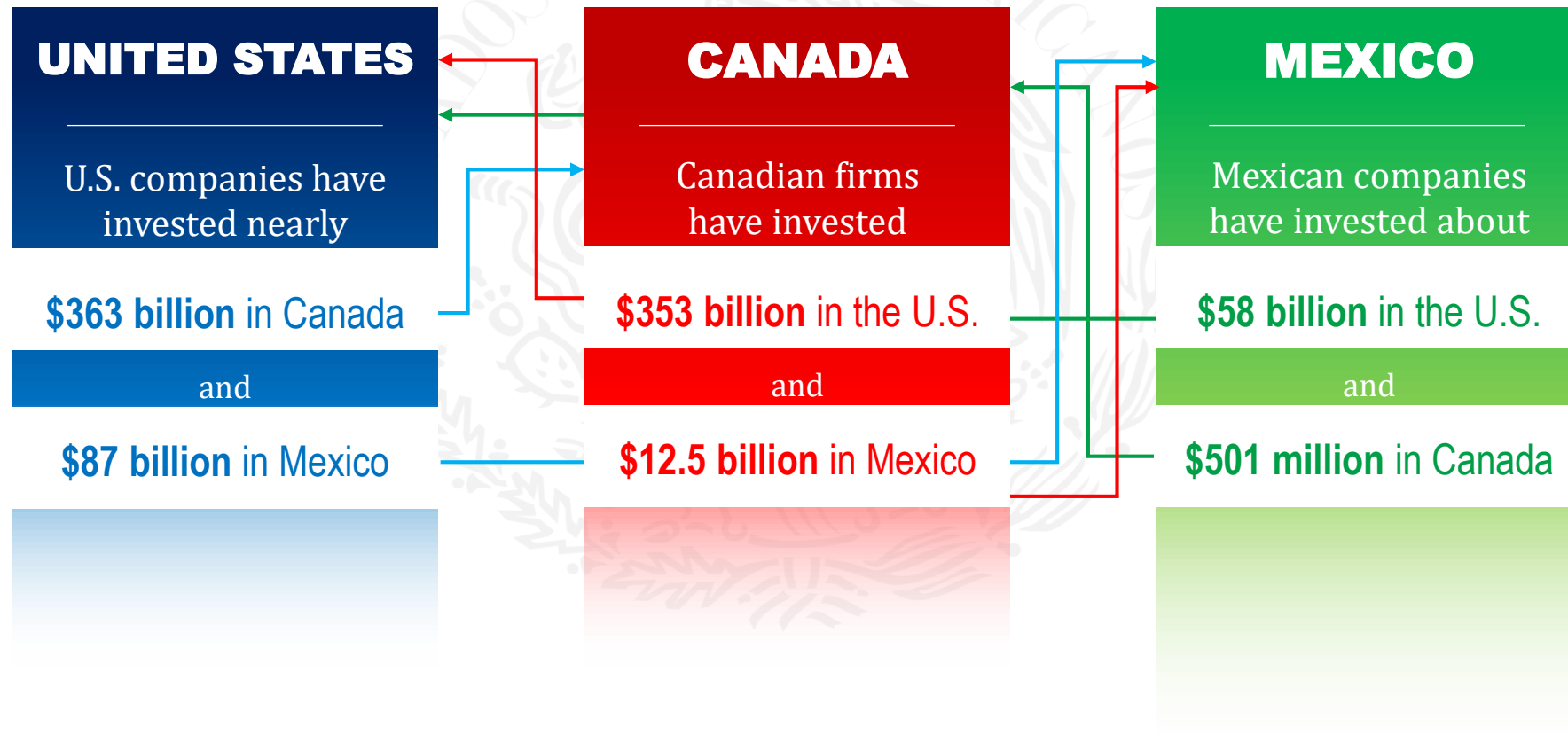
GDP

\$21
Trillion

ANNUAL GOODS
TRADE

\$1
Trillion

Trusted partners invest in each other.



NAFTA increases trade, supports jobs, and strengthens ties with Mexico.

U.S.-Mexico trade has grown nearly seven-fold since 1993.



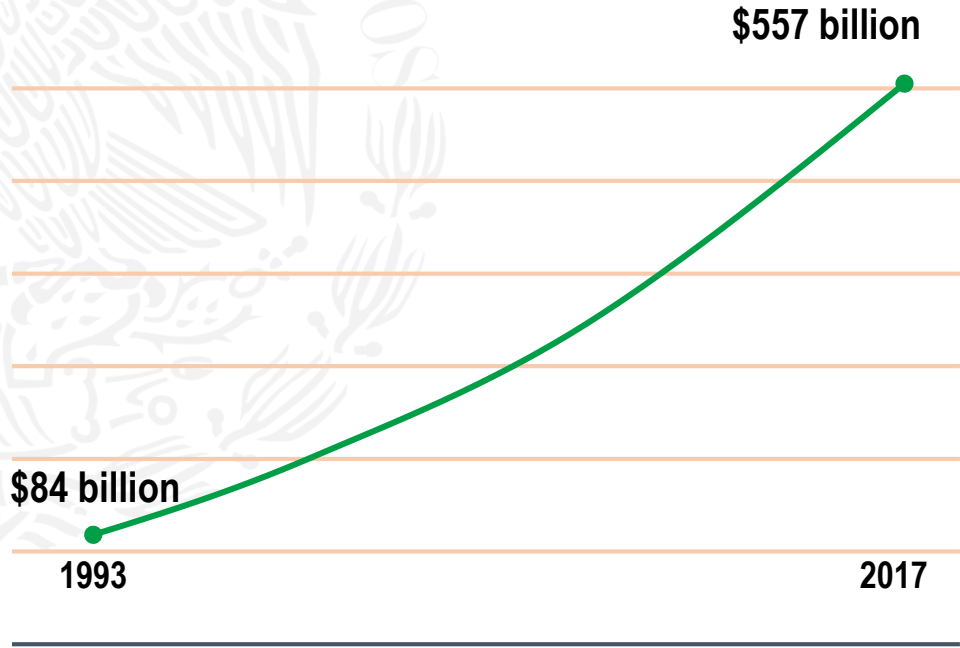
5 million jobs in the U.S. rely on trade with Mexico¹



World class supply chain



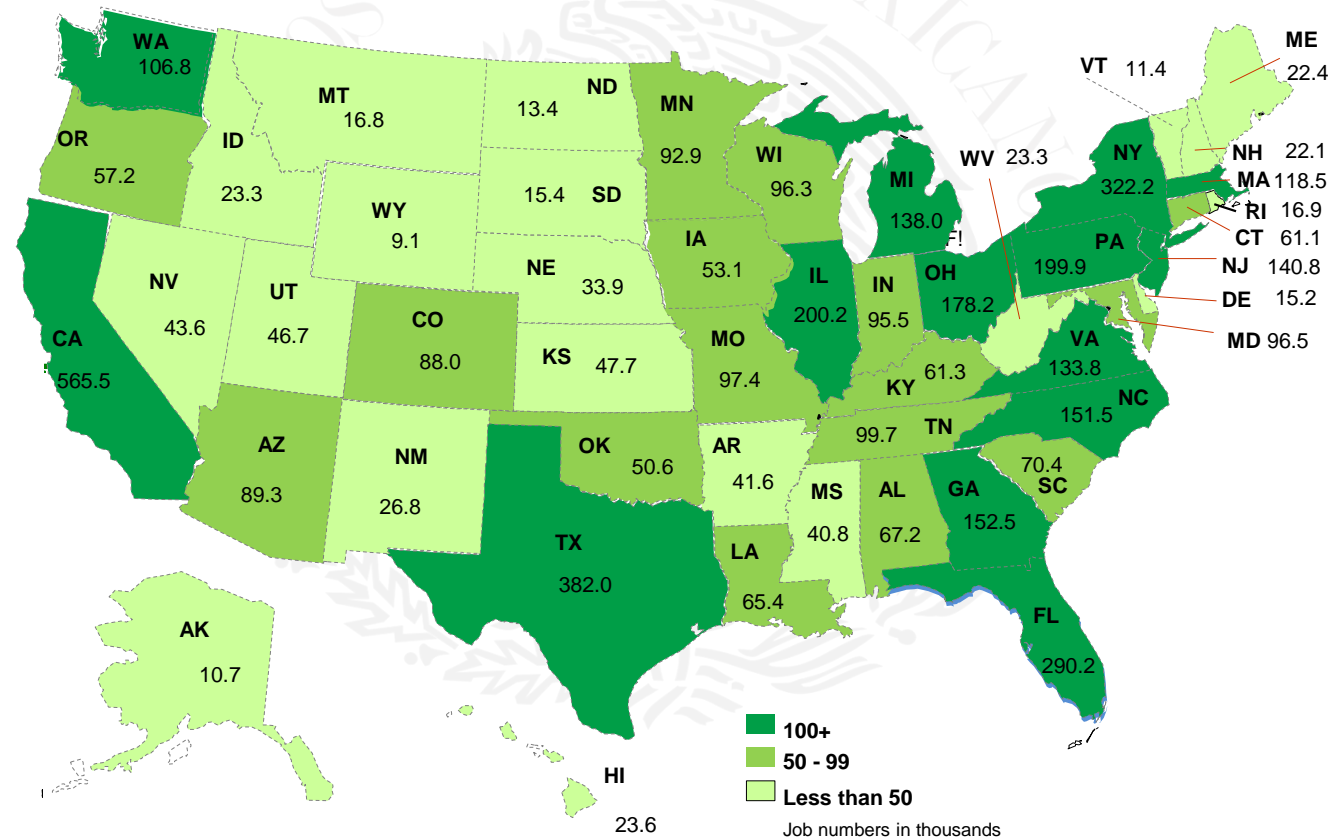
Efficient production



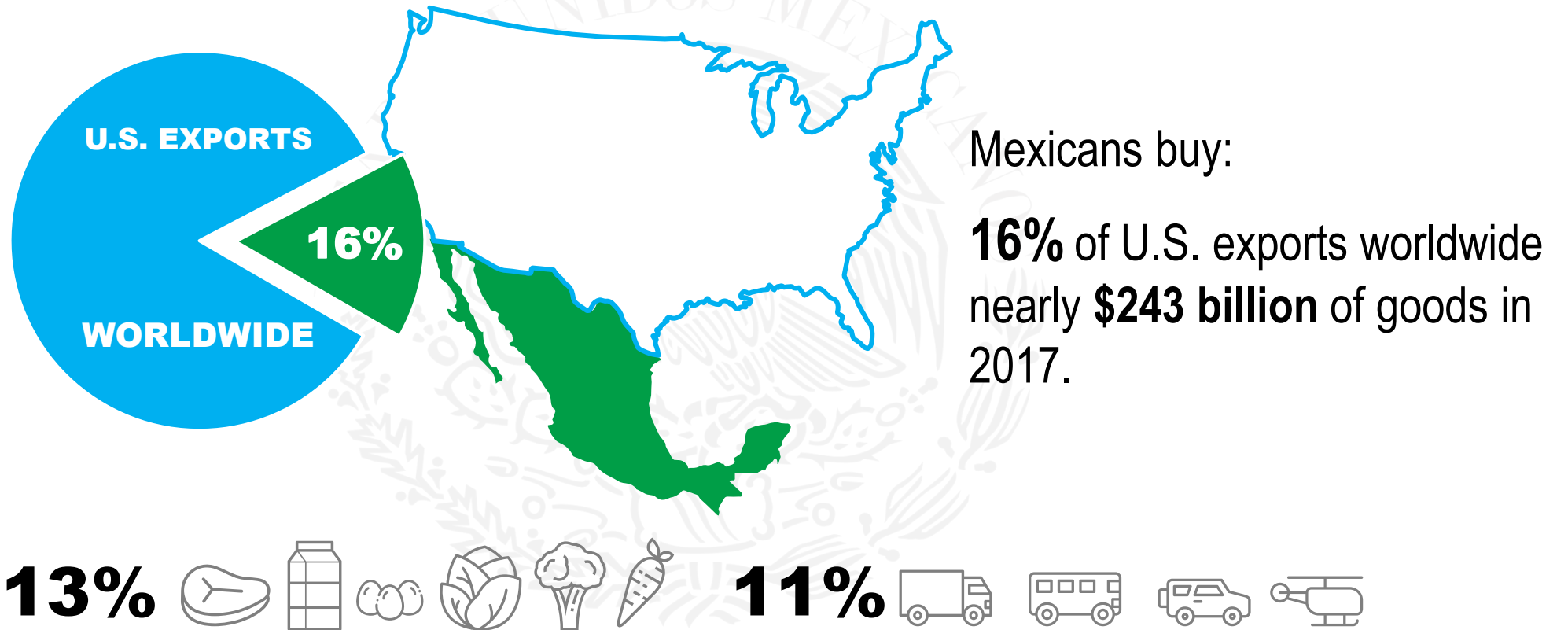
¹ Source: Woodrow Wilson Center

NAFTA supports jobs.

5 million U.S. jobs depend on trade with Mexico, across many states and industries.



Mexico is the U.S.'s 2nd largest export market.

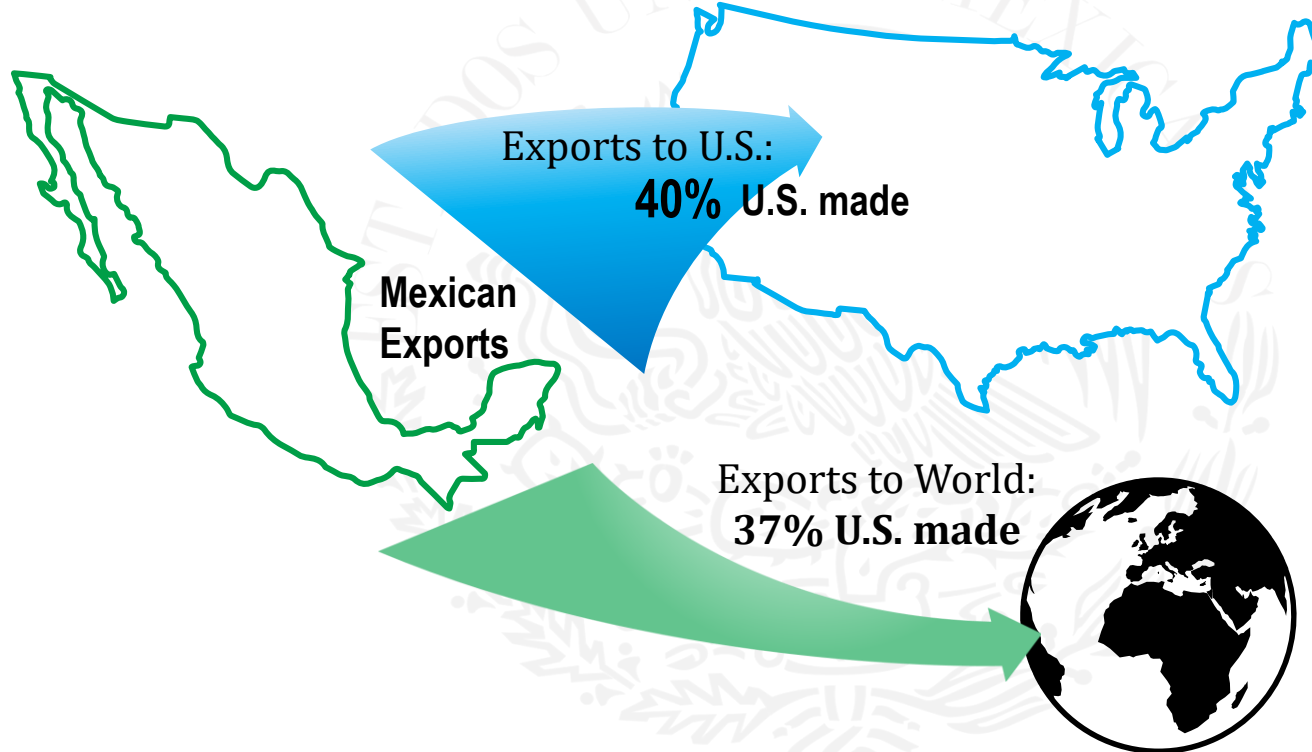


Source: US Census Bureau using NAICS industry codes

We are more than neighbors – we are partners

Our economic ties are highly integrated.

About **40%** of Mexican final exports to the U.S. are U.S.-made value added.¹



Moreover, Mexican exports to the world include **37%** U.S.-made content.

¹ Source: NBER, Global Value database in Koopman, Powers, Wang, Wei (revised March 2011).

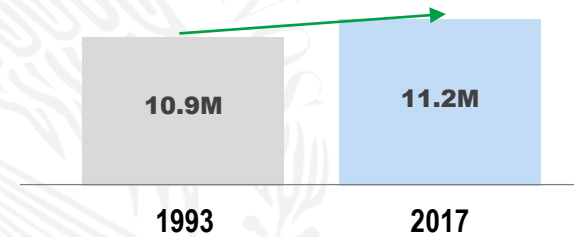
Since NAFTA, U.S.-built auto exports have doubled, supporting thousands of jobs

In 2017, nearly **3X** as many vehicles were produced in the U.S. as in Mexico.

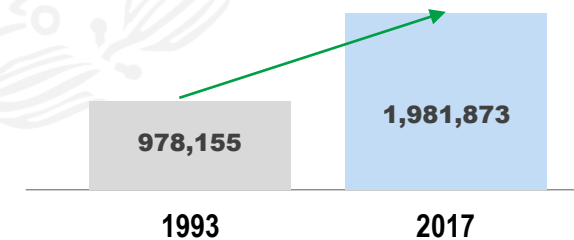


There is an average of **\$4,070** in Mexican-made auto parts per vehicle produced in the U.S., but **\$4,870** in U.S.-made auto parts per vehicle produced in Mexico – a **20% higher value** for U.S.-made parts.

Over 300 hundred thousand more vehicles were produced in the U.S. in 2017 than in the year before NAFTA.¹



Since NAFTA, U.S.-built auto exports have more than doubled.²



Source: 2016 data from the World Bank, OICA, and USDOC.

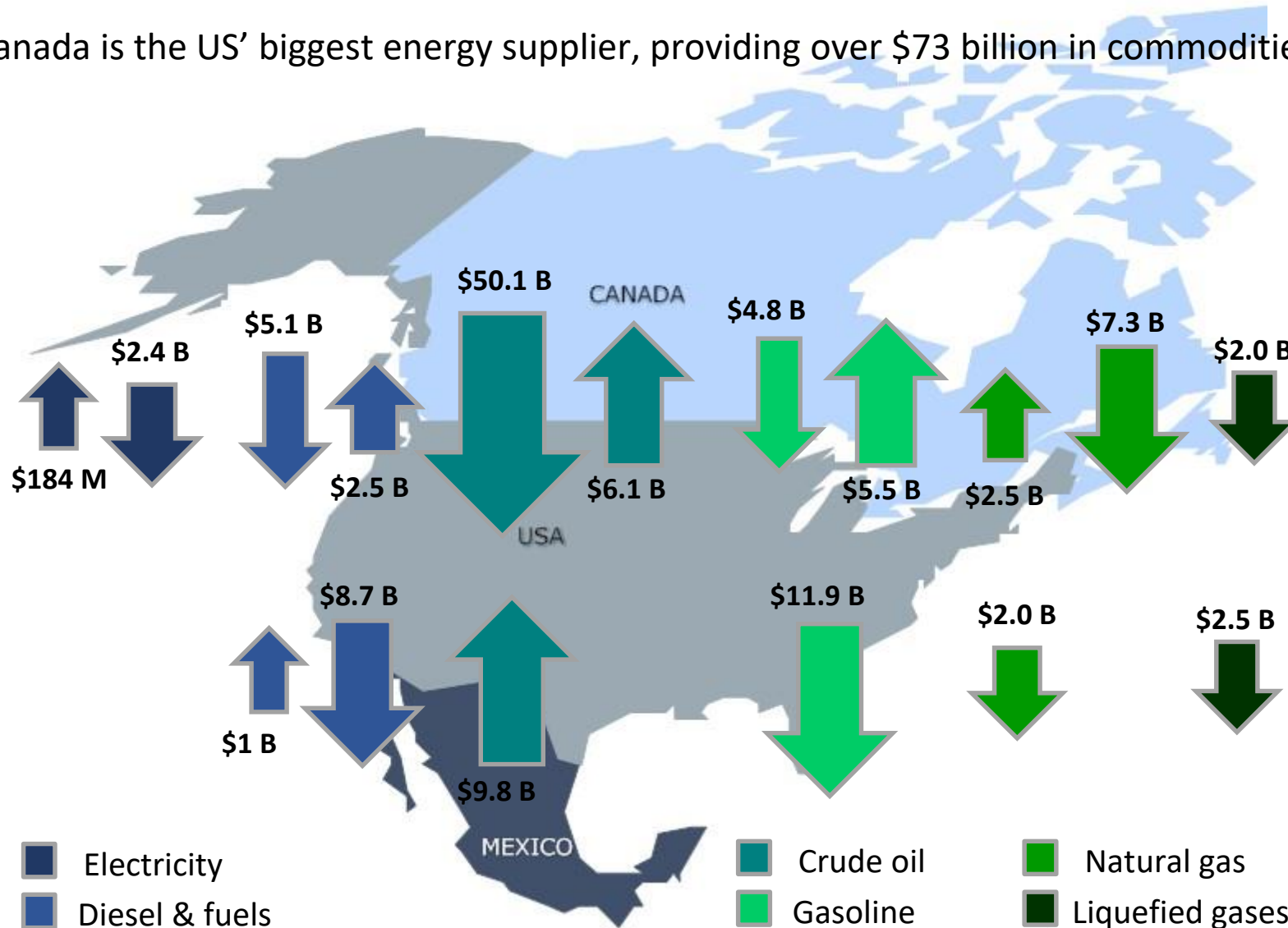
¹ Bureau of Transportation Statistics, Department of Transportation

² USDOC, International Trade Administration, Office of Transportation and Machinery

North America: An Emerging Energy Powerhouse

Mexico is the US' largest energy market, consuming over \$26 billion in energy goods

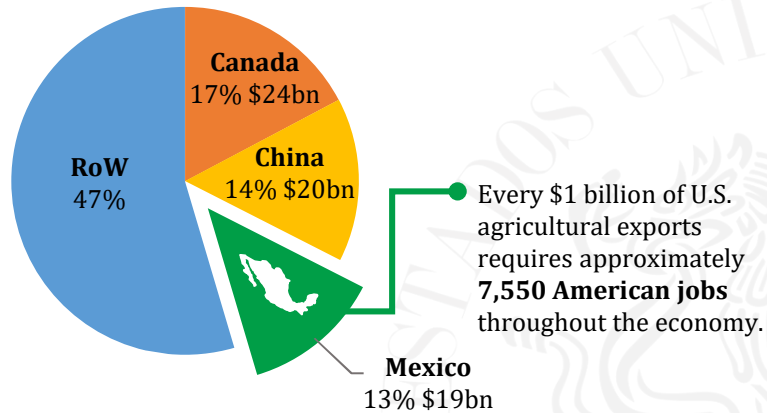
Canada is the US' biggest energy supplier, providing over \$73 billion in commodities



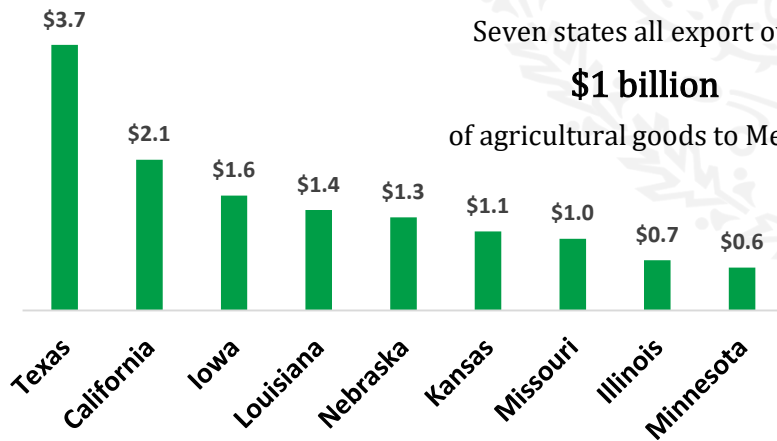
Importance of NAFTA for agriculture

Agricultural exports to Mexico support billions in sales and thousands of U.S. jobs

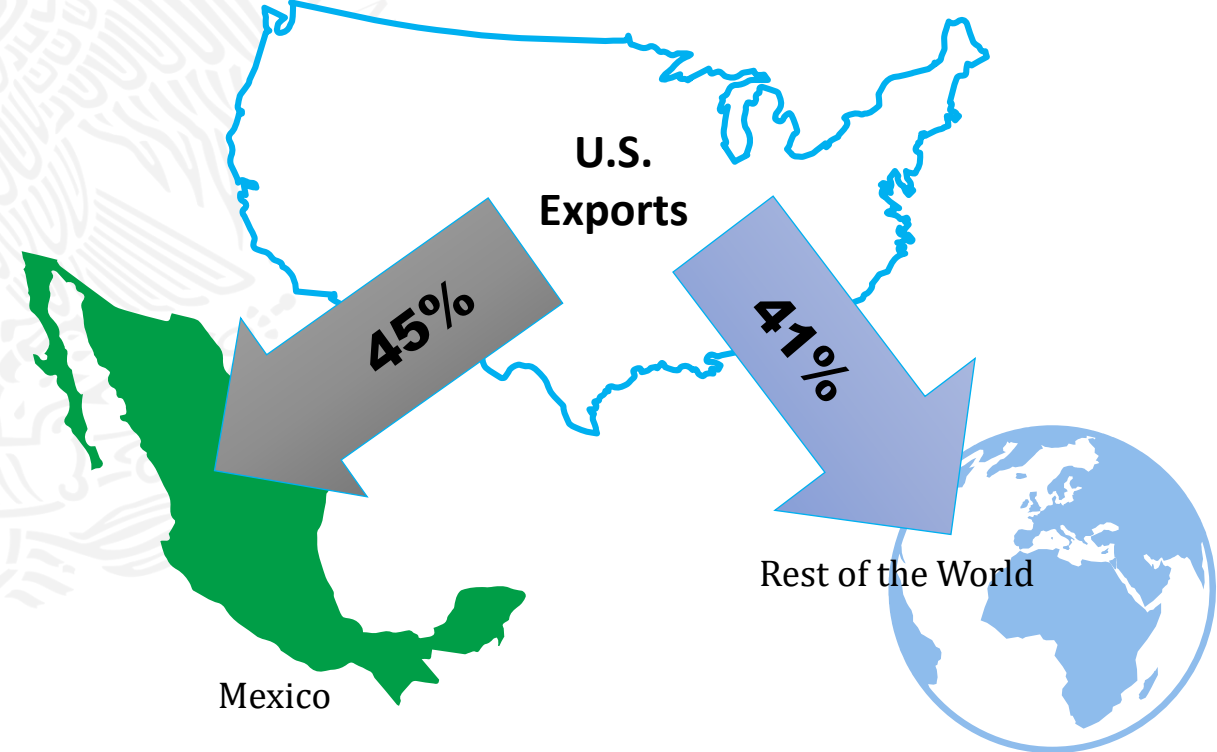
Main Export Markets for U.S. Agricultural Goods



State Exports of Agricultural Goods to Mexico (\$ Billions, 2017)



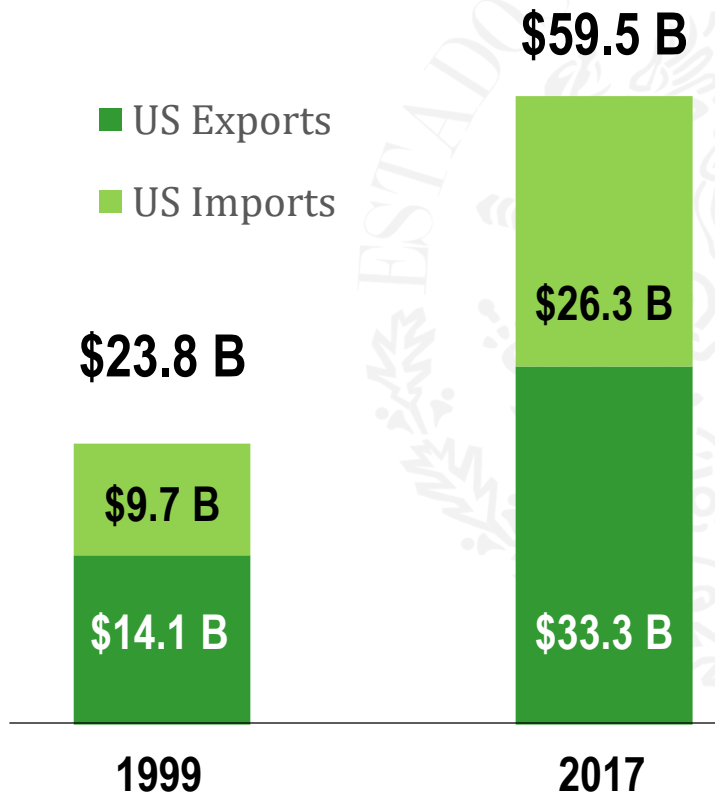
U.S. Agricultural Goods Exports Growth 2009-2017



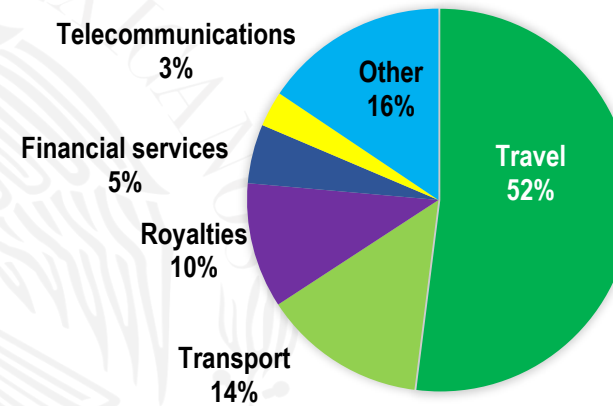
Source: Mexico's Ministry of the Economy (SE-Washington) with data from WiserTrade, using NAICS. "Agricultural Goods" comprises: Agricultural Products; Livestock and Livestock Products; Food and Kindred Products; and Beverage and Tobacco Products.

U.S.-Mexico trade in services has doubled since 1999

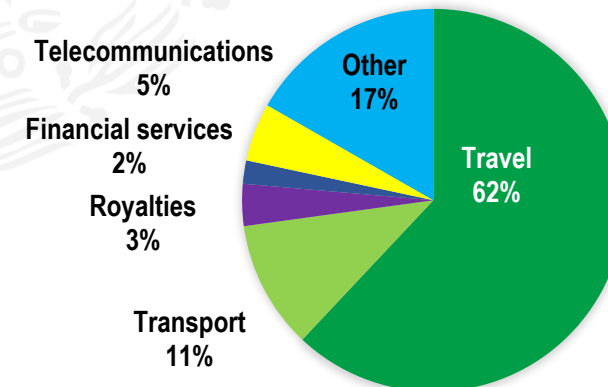
U.S.-Mexico Trade in Services



U.S. EXPORTS

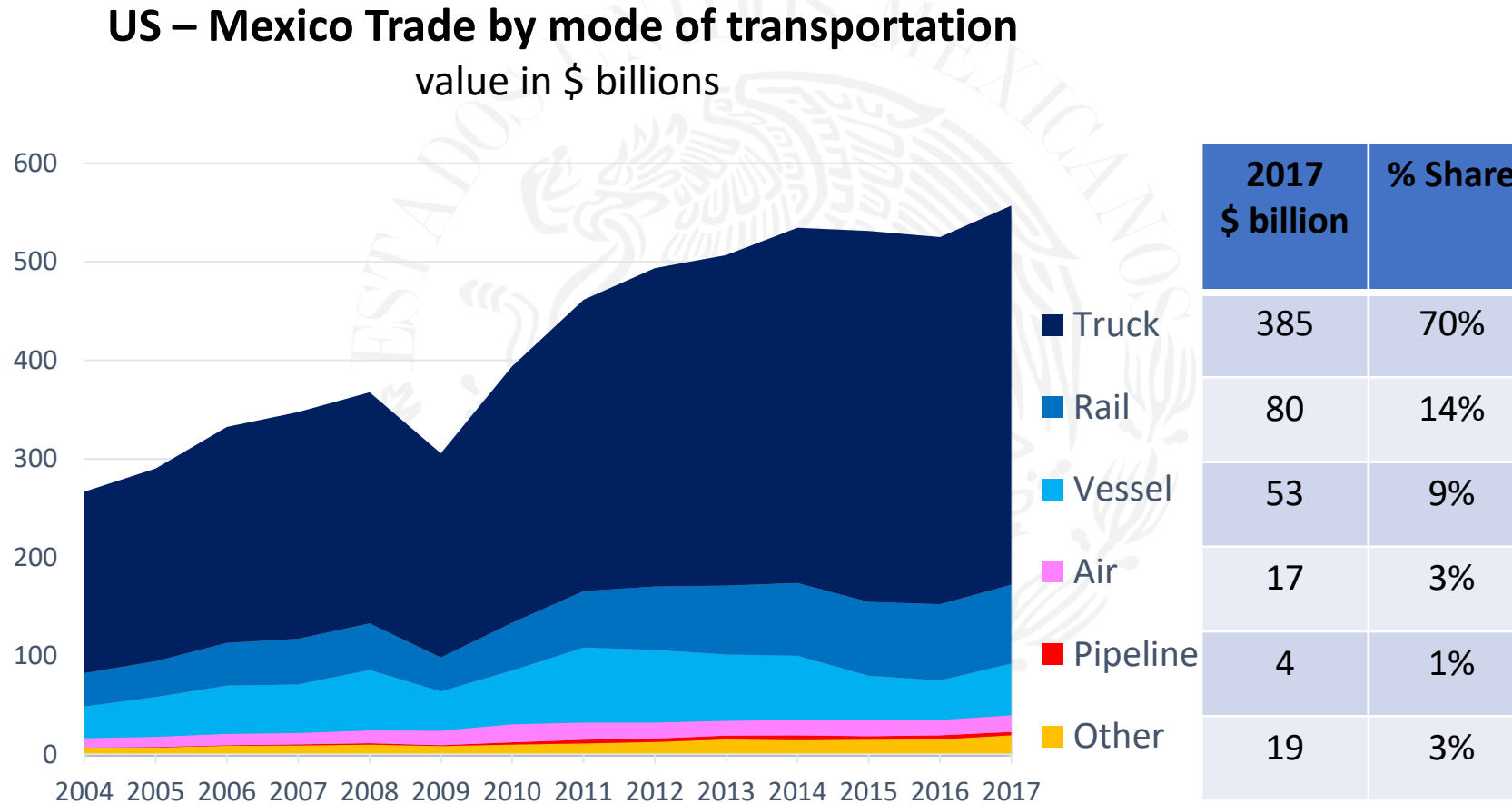


U.S. IMPORTS



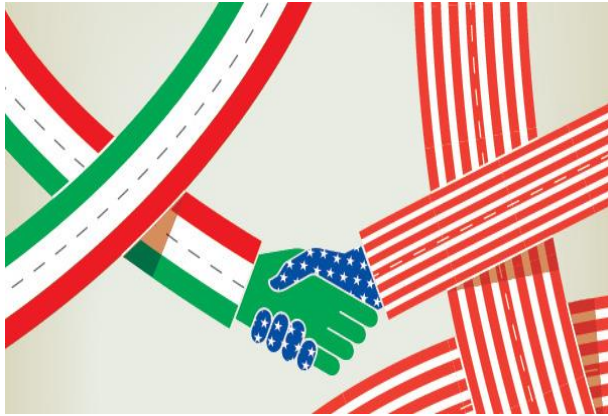
Source: USDOC with data from BEA. 2016 services data from U.S.-Mexico Trade Facts, USTR. Trade in services by sector with 2015 data. Financial services include financial and insurance services, telecommunications include IT services, royalties include charges for the use of intellectual property.

Transportation and logistics are key for trade



We have to continue working together

Challenges evolved to Opportunities with new USMCA



- Expand trade benefits to all sectors and regions of the three countries.
 - Diversify markets
 - Streamline regional integration.
 - Strengthen regional value chains.
-
- Efficient border management -> Improve border crossing
 - Develop new elements of competitiveness.
 - Within North America
 - Outside: With other regions / countries
 - Rising protectionism -> Competition is driven by regions



Trade protectionism is not the answer

Trump's trade war: tariffs enacted or threatened

Enacted

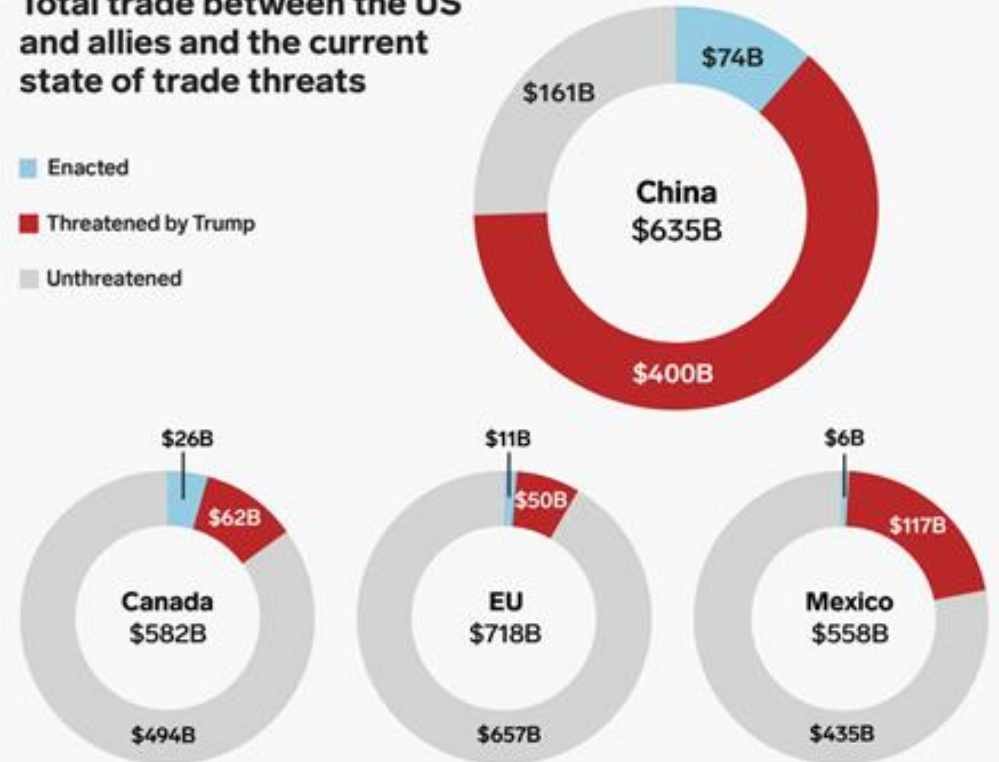
- 25%** on \$34 billion worth of Chinese goods
- 20%** on washing machines
- 30%** on solar energy modules
- 25%** on steel
- 10%** on aluminum

Threatened or pending

- 25%** on another \$16 billion worth of Chinese goods
- 10%** on up to \$400 billion worth of Chinese goods
- 20%** on all imported cars, trucks, and auto parts

Total trade between the US and allies and the current state of trade threats

- Enacted
- Threatened by Trump
- Unthreatened

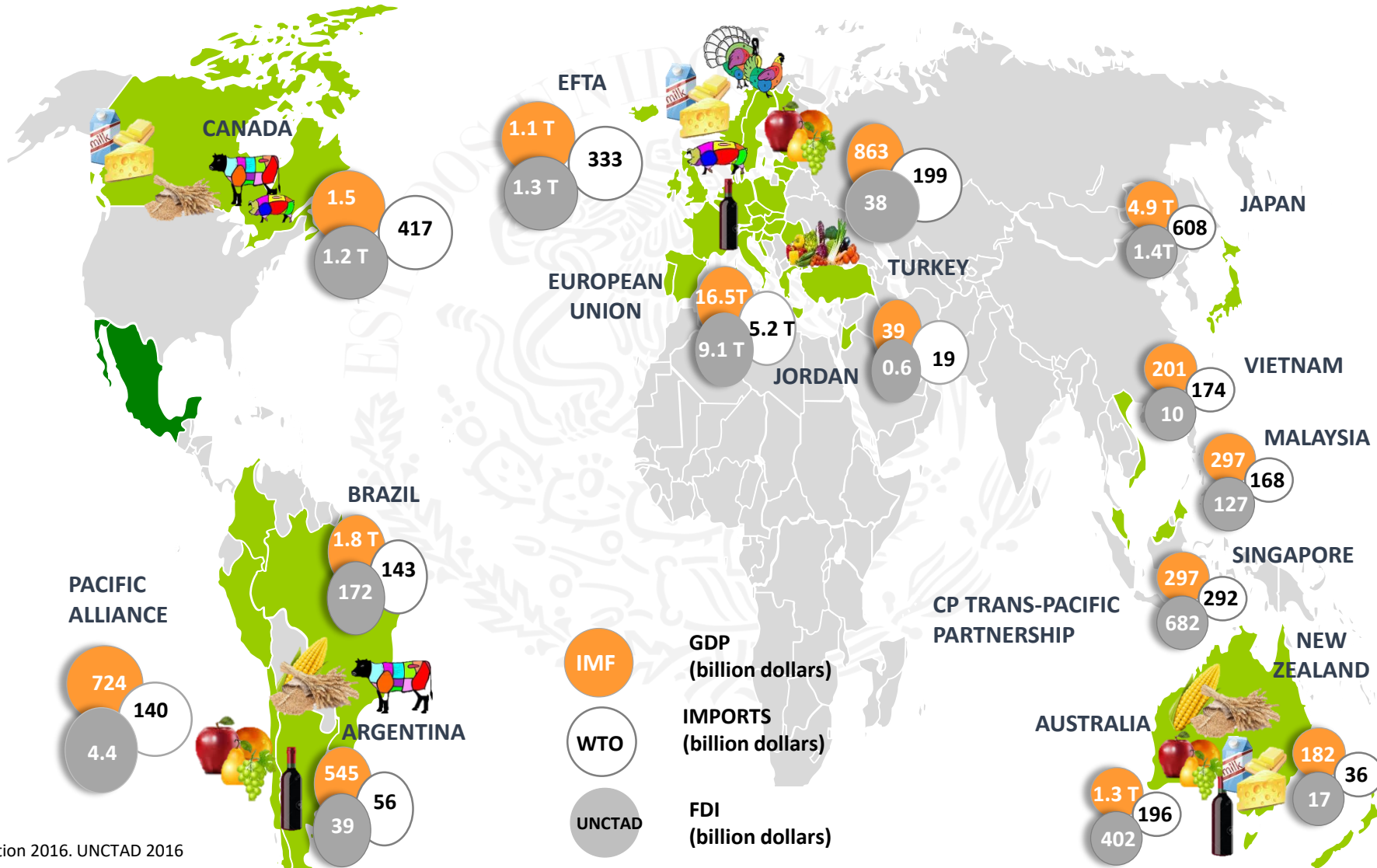


BUSINESS INSIDER

Sources: US Census Bureau, European Commission, Global Affairs Canada, Secretaría de Economía

BUSINESS INSIDER

Mexico's ambitious ongoing trade negotiations



NAFTA evolution to USMCA, the most important trade negotiation



The negotiation required partners to compromise

Automotive Industry

- Rules of Origin
- Labor Value Content

Sunset Clause

Investment Protections

Dispute Settlement Mechanisms

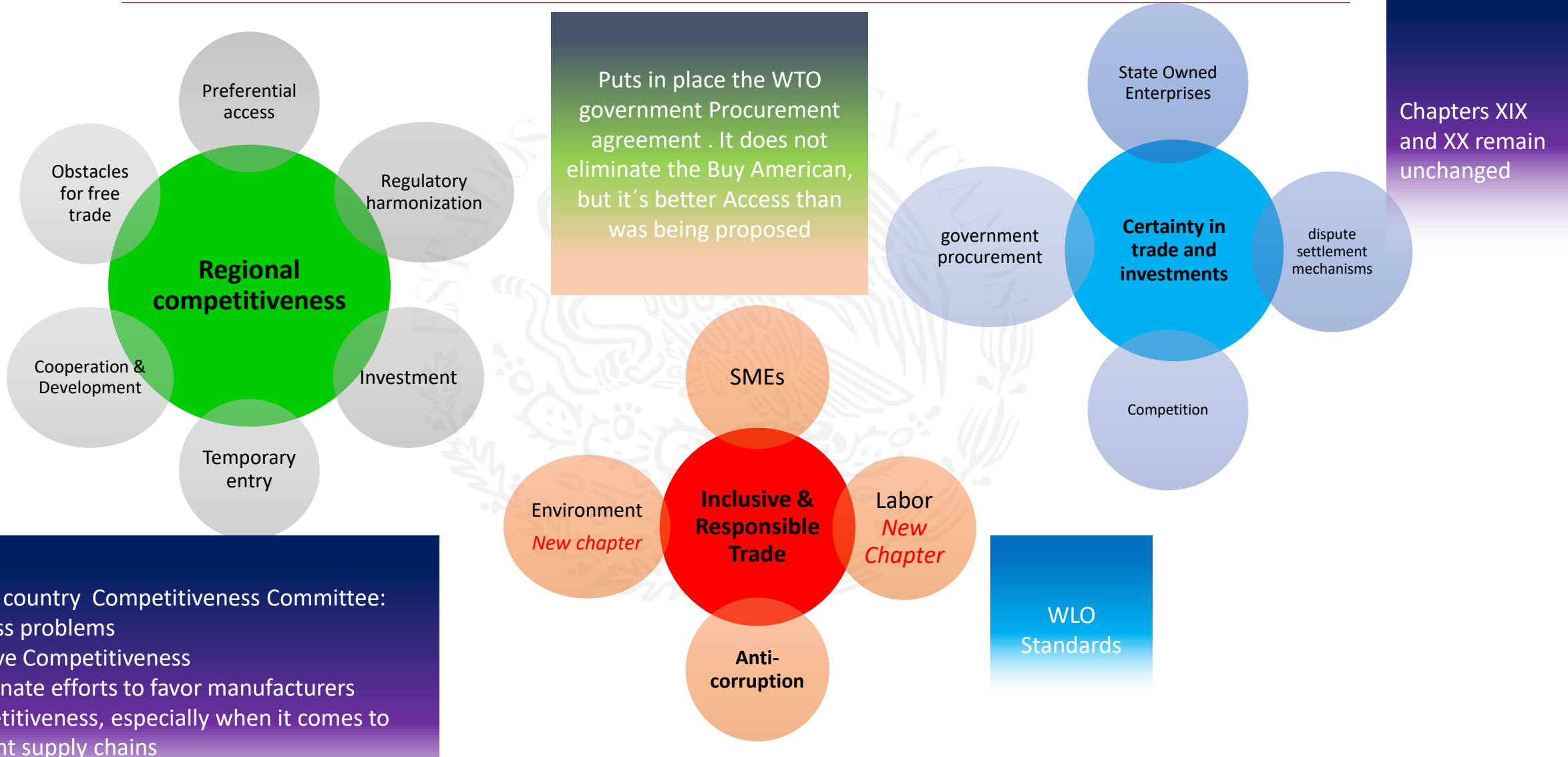
Energy

Intellectual Property Rights

Labor

Agricultural Trade

NAFTA results and Opportunities



New 3 country Competitiveness Committee:

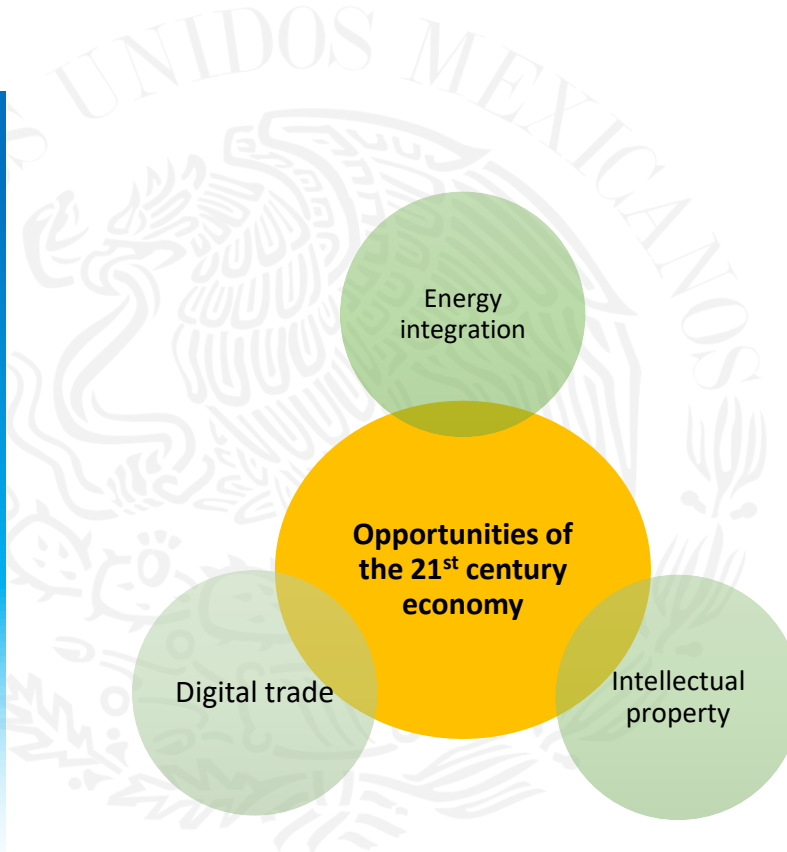
- Address problems
- Improve Competitiveness
- Coordinate efforts to favor manufacturers competitiveness, especially when it comes to efficient supply chains

NAFTA results and Opportunities

E-Commerce / online Shopping / Minimis Agreement on higher limit for imports to be Duty free:

- Canada : from 20 USD to 150 Canadian D and 40 Canadian D for Tax exempt
- Mexico from 50 to 100 USD
- US : 100 USD

Tax exemption in addition to a duty Exemption



Energy: significant additions made:

- Clean up cross-border rules and procedures
- The Chapter recognize the sovereign right to regulate and modify the Mexican legal framework, including the Constitution. As well reaffirms Mexico's inalienable and imprescriptible property on hydrocarbons in Mexico's subsoil.

USMCA will strengthen North Americas Competitiveness



A robust economic agenda and trade diversification continues to be a high priority for Mexico

USMCA agreement will give North America the tools to compete in the 21st century economy

USMCA will bring all three Nations together in competition with the rest of the world.

The global economy waits for no one

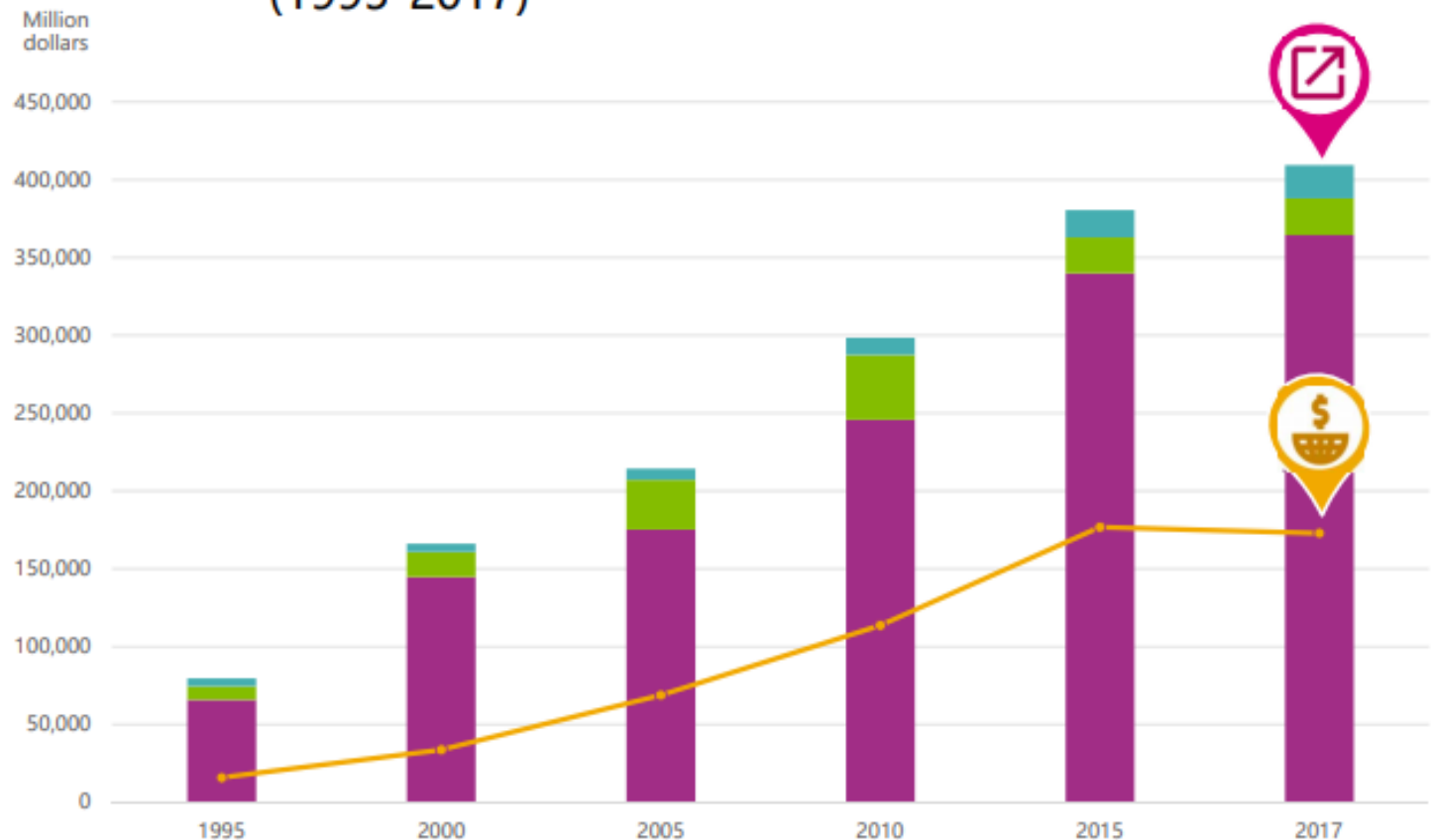
SOUND MACROECONOMIC ENVIRONMENT

Evolution of exports and international reserves in Mexico
(1995-2017)



409 Billion dollars
2017 Exports

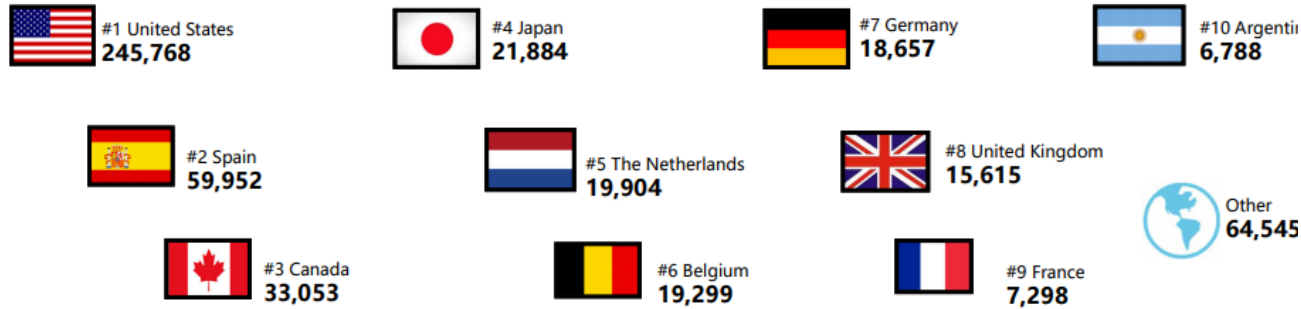
173 Billion dollars
2017 Reserves



Source: ProMexico based on data from Baxico.

MAIN INVESTORS IN MEXICO

FDI per country, 1999-2017
MUSD



Source: ProMexico based on data by the Secretariat of Economy.

ACCRUED FDI PER SECTOR

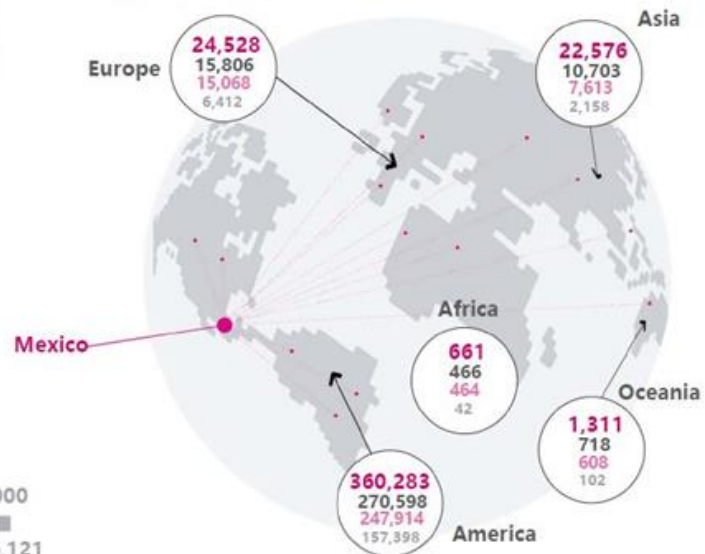
1999-2017



Source: ProMexico based on data by the Secretariat of Economy.

MAIN EXPORT DESTINATIONS

Million dollars



Source: ProMexico based on data by the Global Trade Atlas.

12 MAIN PRODUCTS EXPORTED BY MEXICO

2018



Light motor vehicles



Auto parts & accessories



Transportation vehicles



Computers and computer parts



Petroleum oils & bituminous minerals



Telephones and telephone parts



TV sets



Electricity conductive materials



Medical and veterinary equipment



Tractors



Seats and seat parts



Refrigerators and other devices for producing cold



Thank you

Nicole Felix Huesca
Trade and Investment Commissioner for
Alabama, Georgia and Tennessee
ProMexico
SECRETARÍA DE ECONOMÍA MÉXICO

www.naftamexico.net
More information:
naftadsk@naftamexico.net