NAFTA Trilateral Trade has tripled

Trilateral Trade between the NAFTA Partners
In billion dollars

Source: SE with import data from Statistics Canada, Banxico, and USDOC.
Mexico and Canada are strategic production partners for U.S.

NAFTA partners do not simply trade goods; we work together to manufacture them.

When Mexico and Canada export, the United States exports.

U.S. value added in final goods exports of selected countries to the U.S.

- **40%** for Mexico
- **25%** for Canada
- **8%** for Malaysia
- **5%** for South Korea
- **4.0%** for China
- **2%** for Japan

*U.S. exports also benefit from Mexico’s network of free trade agreements with 46 countries, providing preferential market access to 70% of world GDP and two-thirds of global imports.*

Source: NBER, Global Value database in Koopman, Powers, Wang, Wei (September 2010, revised March 2011)
NAFTA “Team-WORKS”

- **NAFTA vehicles production:** 18.1 million in 2016
- **NAFTA vehicles exports:** $173 billion in 2016

Motor Vehicles Global Production (in million units):
- NAFTA, 18.1
- EU 28, 21.7
- China, 28.1
- Japan, 9.2
- Other, 17.9

Motor Vehicles Global Exports Share (in value):
- EU 28, 50%
- NAFTA, 22%
- Japan-South Korea-China, 19%
- Other, 9%

Source: SE with data from IMF, WTO, and OICA.
• U.S. auto vehicles production increased by 6.48 million units from 2009 to 2016. This growth accounted for:
  ✓ 69% of NAFTA’s growth in production
  ✓ 20% of the world’s growth in production.
• NAFTA region accounted for 28% of the world’s production increase.

Source: SE with data from OICA.
NAFTA boosts coproduction between U.S. and Mexico in the auto industry.

Vehicles made in Mexico have a high US content, while at the same time vehicles manufactured in the US use a large number of Mexican-made auto parts, considering those globally competitive vehicles as “Made in North America”.

Inputs and auto parts cross the US-Mexico border several times for further processing.

Mexico’s exports to U.S.:
$46.0 billion in auto parts
$49.3 billion in vehicles

1st

The US is Mexico’s largest auto parts provider

$5,500 in US parts per car produced in Mexico

Mexico is the US’ largest auto parts provider

$3,800 in Mexican parts per car produced in the US

U.S. exports to Mexico:
$19.8 billion in auto parts
$4.0 billion in vehicles

Source: Wisertrade, using NAICS, and OICA
• The U.S. auto industry GDP has grown **124%** since 2009.
• U.S. auto vehicles exports have grown **65%** since 2009.
• Mexican auto parts are key for U.S. auto industry competitiveness.
  ✓ U.S. imports of Mexican auto parts grew by **198%**.
  ✓ This growth was driven mainly by an increase in the U.S. auto industry GDP and market share gains in the U.S. auto parts import market.

Source: Wisertrade and Bureau of Economic Analysis
Strong and growing ties in the automotive industry

✓ Mexico is:

- The **TOP** export market of motor vehicles and auto parts for 8 states: Texas, California, Arizona, Utah, New Mexico, Rhode Island, Connecticut, and Alaska.

- The **2nd** largest export market of motor vehicles and auto parts for 26 states.

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Source: WiserTrade, using NAICS
U.S. auto industry employment has increased by nearly 6% annually during the current economic expansion:

- more than five times the growth in overall manufacturing employment, and
- triple the pace of total employment gains in the United States during this period.

At least 31,000 U.S. jobs could be lost as a result of a 35 percent tariff on light vehicles and parts imports from Mexico.

✓ Mexico is the:
  • 7th largest producer of vehicles
  • 4th top exporter of vehicles globally

✓ Production reached **1.9 million** units in the first half of 2017:
  • 1.5 million of these were exported.

✓ One in five cars built in the NAFTA zone comes from Mexico
  • Pickups such as some versions of Fiat Chrysler’s Ram and Chevrolet Silverado, two of the best-selling vehicles in America, are built in Mexico.

Source: AMIA, Wall Street Journal
Mexico’s strategic location and its network of free trade agreements with 46 countries fosters the country as a competitive export platform for the automotive industry.

80% of Mexico’s vehicle production had foreign markets as its final destination.

In 2016, Mexico exported 2.7 million vehicles

Source: AMIA, units in thousands
NAFTA has been instrumental in Mexico’s growing auto exports

- Last year, the Mexican auto industry exported **$55 billion** in motor vehicles, accounting for 15% of Mexico’s total exports.
- Since NAFTA, automotive exports have multiplied by 11, growing 11% per year in average.
- In 2016, the largest exporting producers were:
  - GENERAL MOTORS **540K** units
  - NISSAN **500K** units
  - FIAT-CHRYSLER **443K** units
  - FORD MOTOR **377K** units
  - VOLKSWAGEN **334K** units

Source: Secretaría de Economía, AMIA. Export figure includes 8702, 8703, and 8704 HS code.
NAFTA modernization should rely on:

**Liberalization**
- Goods
- Services
- Investment

**Competitiveness**
- Innovation
- Trade facilitation
- Regulatory cooperation
- Border efficiency

**Economic integration**
- Supply chains
- Energy
- Talent
A NAFTA 2.0 should be based on three basic elements:

- A shared assessment that reflects a balanced perception of the benefits that each country has gained;
- A recognition that there is room for modernization, and
- A win-win-win proposition; the outcome of this process must generate benefits for all.
The North American auto industry is benefiting from over two decades of trade liberalization and economic modernization under NAFTA, becoming a powerful engine for economic growth not only for Mexico’s economy but also for the region.

We produce together.

THANK YOU
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