



**Global  
Business  
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México S.C.



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**MADISON INTERNATIONAL  
TRADE ASSOCIATION**  
*connecting, informing, empowering*

# México

**From NAFTA to USMCA**

**Efrén Flores**  
**2020**



## Quick View

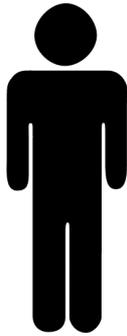
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Mexico is an emerging market economy of global significance:

**15th largest economy** in the world and the **2nd largest in Latin America.**

- GDP: 1.223 trillion USD (2019)
- GDP per capita based on PPP: \$20,602 USD (2019)
- GDP growth: 0.1% (2019)
- Inflation: 2.89% (2019)
- Int. Reserves: 181 billion USD (2019)
- Open economy: **11 Free Trade Agreements** with 46 countries

- **Population: 132,867,585 (2017)(10th most populous country worldwide)**

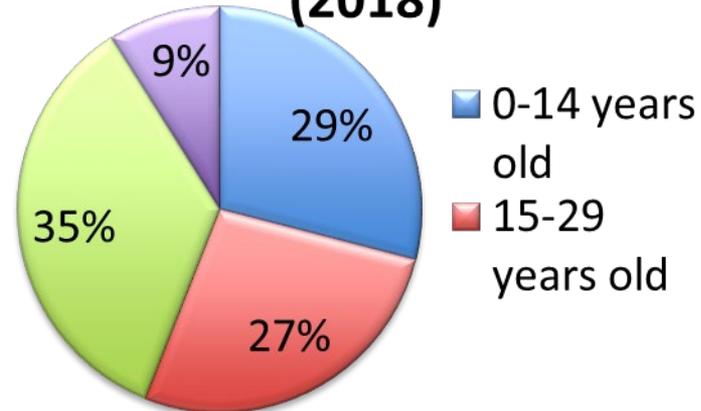


49 %



51 %

**Average Age: 28 Years Old  
(2018)**





## Quick View

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• Mexico is a leading exporter of high-tech advanced manufacturing in Latin America (i.e. aerospace technology, vehicles, and electronic appliances, agribusiness, among others.)



- Mexico offers competitive costs in North America.

- Mexico offers modern and **world-class infrastructure**.





## Forecast

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- According to recent forecasts published by Bloomberg and The Economist, Mexico will become the **8th largest economy** in the world by **2050**.
- Mexico will rank as the **11th most populous** country by **2050**, with 146 million inhabitants.



# México

## The Impact of NAFTA

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- World's largest free trade area: 489 million people
- U.S.-Mexico trade has increased five-fold since adoption of NAFTA: from \$88 billion in 1993 to around \$614 billion in 2019.
- Mutual Recognition Agreements for testing/certification in some sectors
- No tariffs on U.S. exports to Mexico
- Clarifies and simplifies rules of trade
- Institution of Dispute Resolution Process
- Trade has grown faster than infrastructure



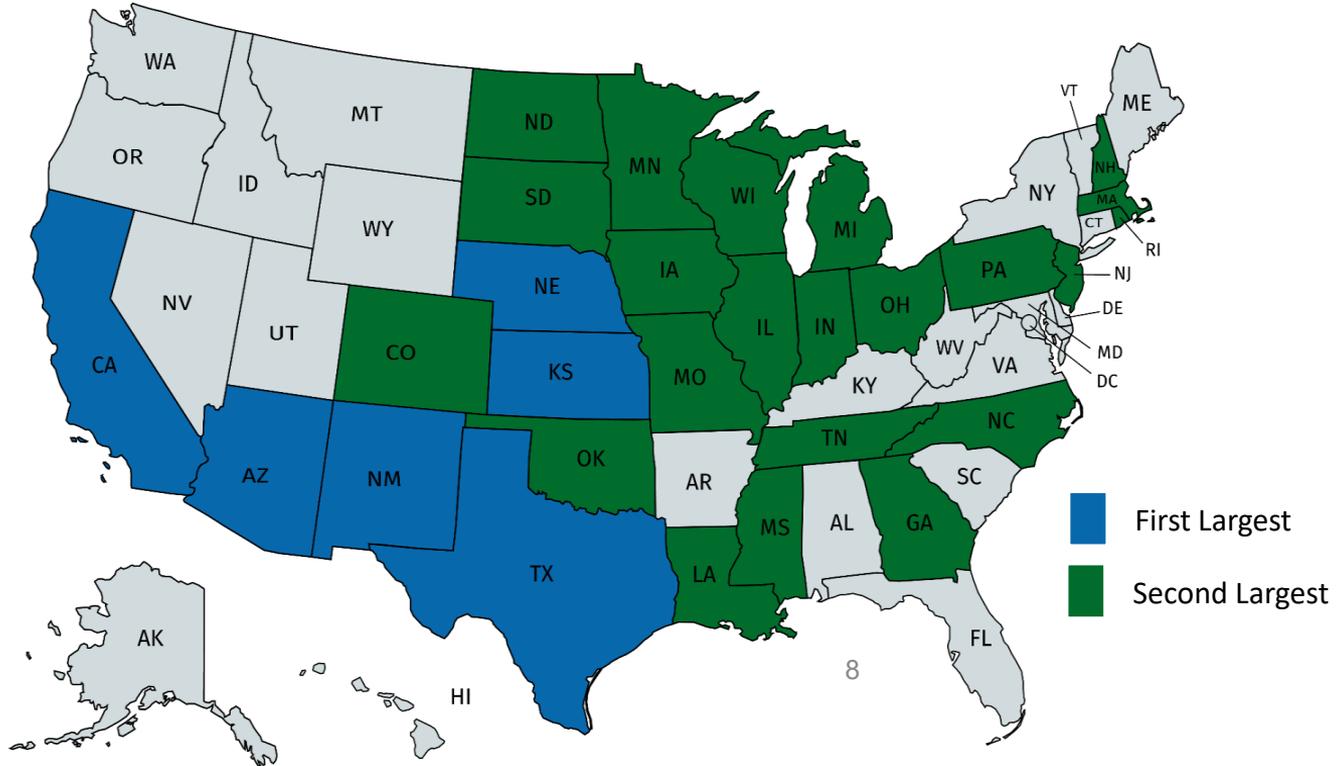
# México

- Mexico is the United States' 1<sup>st</sup> largest trading partner (First Quarter 2019)
- Mexico is the 2nd destination of all U.S. exports
- 26 American states depend on Mexico as their first or second destination for exports
- More than one billion/day in two way trade
- Nearly 50,000 U.S. Small and Medium sized enterprises export to Mexico.
- Six Million Jobs in the U.S depend on trade with Mexico
- Mexico buys from its NAFTA partners more than it buys from China, Japan, and Germany combined.
- Mexico and the U.S maintain a highly integrated production chain 40% of the content of Mexican exports to the U.S was originally manufactured in the U.S.





## U.S. States for which Mexico was #1 or #2 Merchandise Export Destination



# From **NAFTA** to **USMCA**



México

Name



CUSMA

Canada-U.S.-Mexico Agreement



USMCA

U.S.-Mexico-Canada  
Agreement



T-MEC

Tratado Mexico-Estados Unidos  
Canada



México  
MAIN CHANGES

- From 22 Chapters under NAFTA to 34 Chapters under USMCA
- Labor Norms
- Environmental Norms
- Biopharma
- Economic Impulse
- Trade Growth
- Sunset Clause
- Third Party Free Trade Agreement
- E-Commerce
- Automotive (Salary Growth and Rules of Origin)
- Solution to Disputes
- Agricultural Growth

# USMCA: Updating NAFTA to Bring Trade Into the 21<sup>st</sup> Century

NAFTA	vs	USMCA
 <p>Automobiles must have 62.5% of their components manufactured in Mexico, Canada, or the United States to qualify for zero tariffs.</p>	<b>Automotive</b>	 <p>Automobiles must have 75% of their components manufactured in Mexico, Canada, or the United States to qualify for zero tariffs.</p>
 <p>Phased out all agricultural tariffs with Mexico and most with Canada, excluding those on dairy, poultry, eggs, and sugar.</p>	<b>Agriculture</b>	 <p>Enhances access to Canada for U.S. dairy, poultry, and egg products.</p>
  <p>Establishes a committee on small business issues to help firms expand trade internationally.</p>	<b>Small Businesses</b>	
  <p>By 2023, 40–45% of all automobile parts must be made by workers who earn at least \$16 per hour.</p>	<b>Labor Provisions</b>	
  <p>Prohibits custom duties on electronically-distributed products (e.g. software, video games, movies, music, books) and supports the cross-border flow of data.</p>	<b>Digital Trade</b>	
  <p>Raises intellectual property protections for biologic medicines in Canada and Mexico closer to the U.S. standard.</p>	<b>Biopharmaceuticals</b>	
 <p>Protects creative works (e.g. music, movies, books) for 50 years after a creator's death.</p>	<b>Copyrights</b>	
 <p>Sets threshold at which U.S. shipments to Canada and Mexico incur duties at \$16 and \$50, respectively.</p>	<b>E-Commerce</b>	
 <p>Permits companies to sue the government over changes to policies that they claim would harm future profits.</p>	<b>Environment</b>	



# Contact Information

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