

Philadelphia, PA
July 16, 2020

Mexico

A trusted
economic
partner in
USMCA



Integración comercial y productiva para el bienestar



ECONOMÍA
SECRETARÍA DE ECONOMÍA

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Undersecretary for Foreign Trade



1. FROM NAFTA TO USMCA

USMCA

- ✓ Certainty.
- ✓ Clear Rules.
- ✓ Maintains Free Trade.
- ✓ Preserves North American Integration.

1. Initial Provisions and General Definitions	12. Sectoral Annexes	23. Labor
2. National Treatment and Market Access for Goods	13. Government Procurement	24. Environment
3. Agriculture	14. Investment	25. Small and Medium-sized Enterprises
4. Rules of Origin	15. Cross-Border Trade in Services	26. Competitiveness
5. Origin Procedures	16. Temporary Entry	27. Anticorruption
6. Textiles and Apparel	17. Financial Services	28. Good Regulatory Practices
7. Customs and Trade Facilitation	18. Telecommunications	29. Publication and Administration
8. Energy	19. Digital Trade	30. Administrative and Institutional Provisions
9. Sanitary and Phytosanitary Measures	20. Intellectual Property	31. Dispute Settlement
10. Trade Remedies	21. Competition Policy	32. Exceptions and General Provisions
11. Technical Barriers to Trade	22. State-Owned Enterprises	33. Macroeconomic Policies
		34. Final Provisions

10 New Chapters
 24 Modernized Chapters

From NAFTA to USMCA: Deeper integration among 3 partners



Regional Competitiveness

Preferential access

Regulatory coherence

Investment

Temporary Entry

SPS

TBT



Inclusive and Responsible Trade

SMEs

Gender

Labor Rights

Anticorruption

Environment



Certainty in Trade and Investments

Dispute Settlement Mechanisms

State-to-State
Investor-State

Remedy Laws



Opportunities of the 21st Century

Intellectual Property

Digital Trade

Financial Services

Automotive Origin Regime

Key Elements

Labor Value Content (LVC)

40% light vehicles
45% light and heavy trucks

\$16 USD/h.

- Material & manufacturing expenditures
- Technology expenditures
- Assembly expenditures

Regional Value Content (RVC)

75%
70% (heavy)

Simplifies the RVC calculation methodology

Keeps the Net Cost methodology but removes “tracking” allowing “roll up” or the cumulative principle

Core Parts

originating

1. Engine
2. Transmission
3. Body & chassis
4. Suspensions systems
5. Steering system
6. Axle
7. Batteries

Steel & Aluminum

70%
purchases

Direct purchases

Purchases through a service center

Purchases acquired through a supplier

Limited coverage for steel



2. The successful North American partnership



President Lopez Obrador ´ s visit to Washington, D.C. on July 8th



- President Lopez Obrador met with President Trump to reaffirm Mexico ´ s commitment towards the USMCA and the future of the North American economic integration.

NAFTA created one of the most competitive and dynamic regions in the world



**N
A
F
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A**

Population

493

Million people

6.5 % of world population

GDP

\$26

Trillion dollars

18.3% of world GDP | 2nd global economy (2019)

FDI

\$323

Billion dollars

23.1% of world FDI (2018)
1st recipient in the world

Trade

\$6

Trillion dollars

15.9% of global trade
2nd global exporter (2019)

Trade (Intra)

\$1.2

Trillion dollars

20% of the region's total trade (2019)

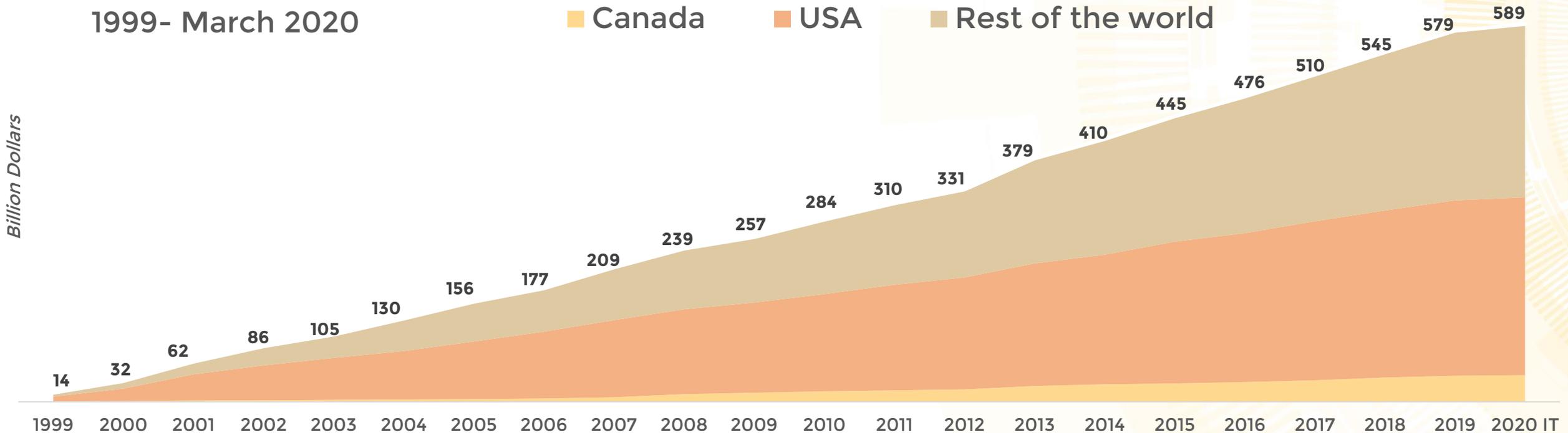
Source: IMF, Banco de México, WTO and TradeMap.

Foreign Direct Investment under NAFTA

- USA and Canada account for more than half of total FDI received by Mexico between 1999- March 2020.



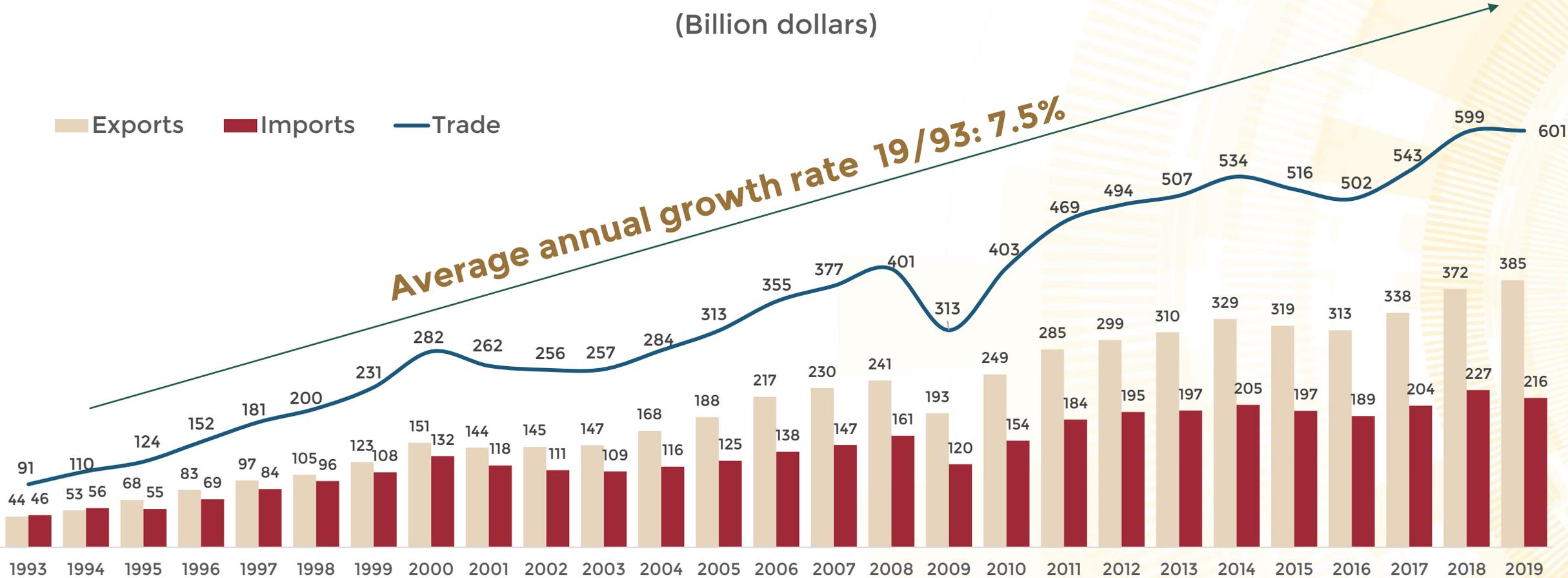
NAFTA FDI to Mexico
1999- March 2020



Source: SE/DGIE

NAFTA trade

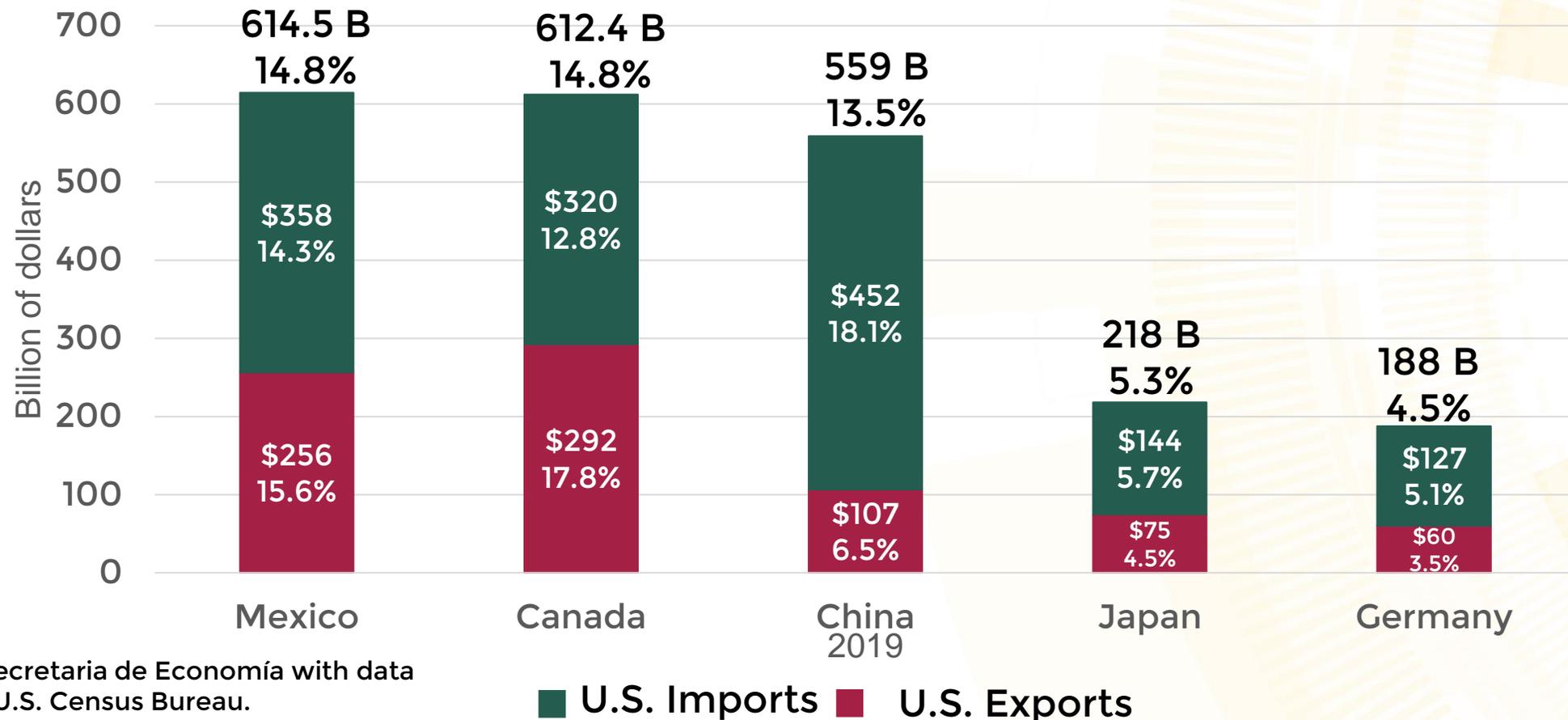
Mexico- NAFTA Trade (Billion dollars)



Source: Banco de México.

In 2019, Mexico was the U.S. Top Trading Partner

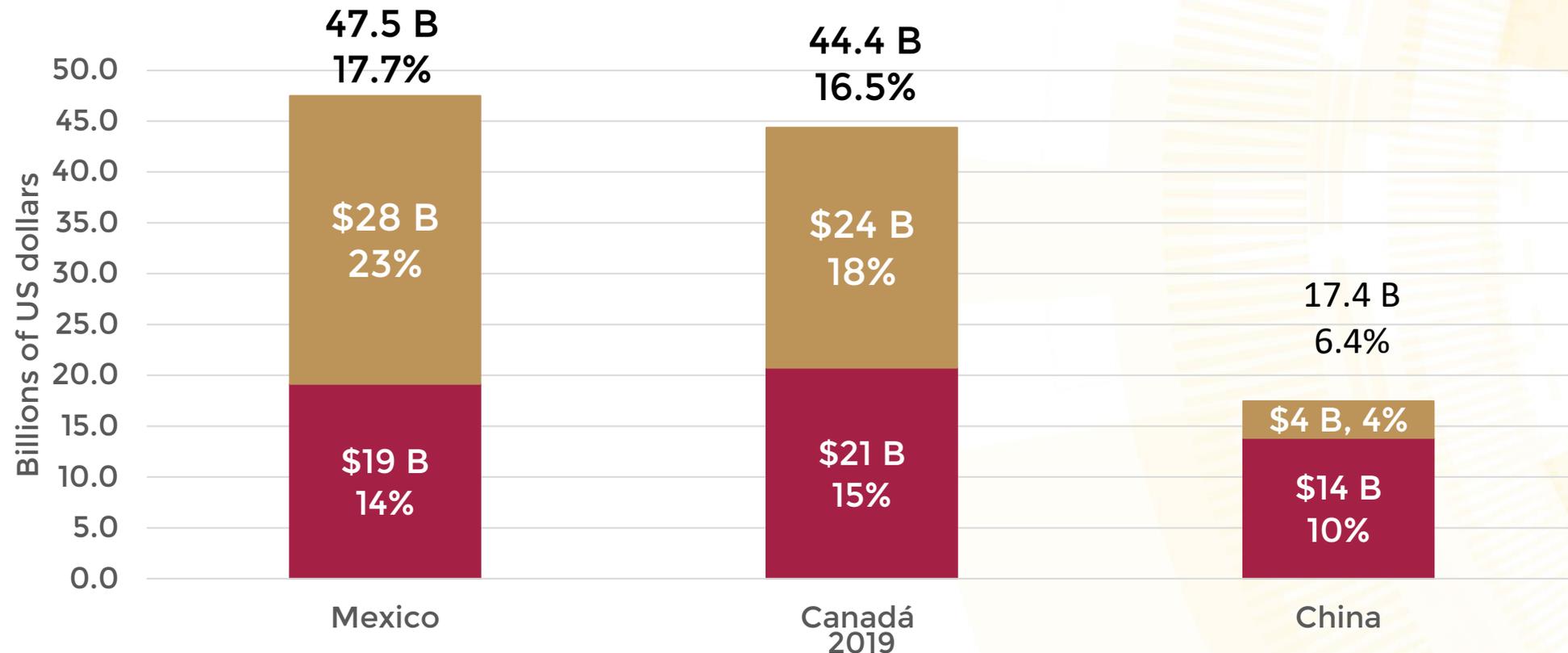
(614.5 billion in goods, surpassing Canada and China)



Source: Secretaria de Economía with data from the U.S. Census Bureau.

Mexico became the US Top Trading Partner in agricultural products

In 2019 the U.S. and Mexico traded over **47.5 billion** dollars in agricultural goods.



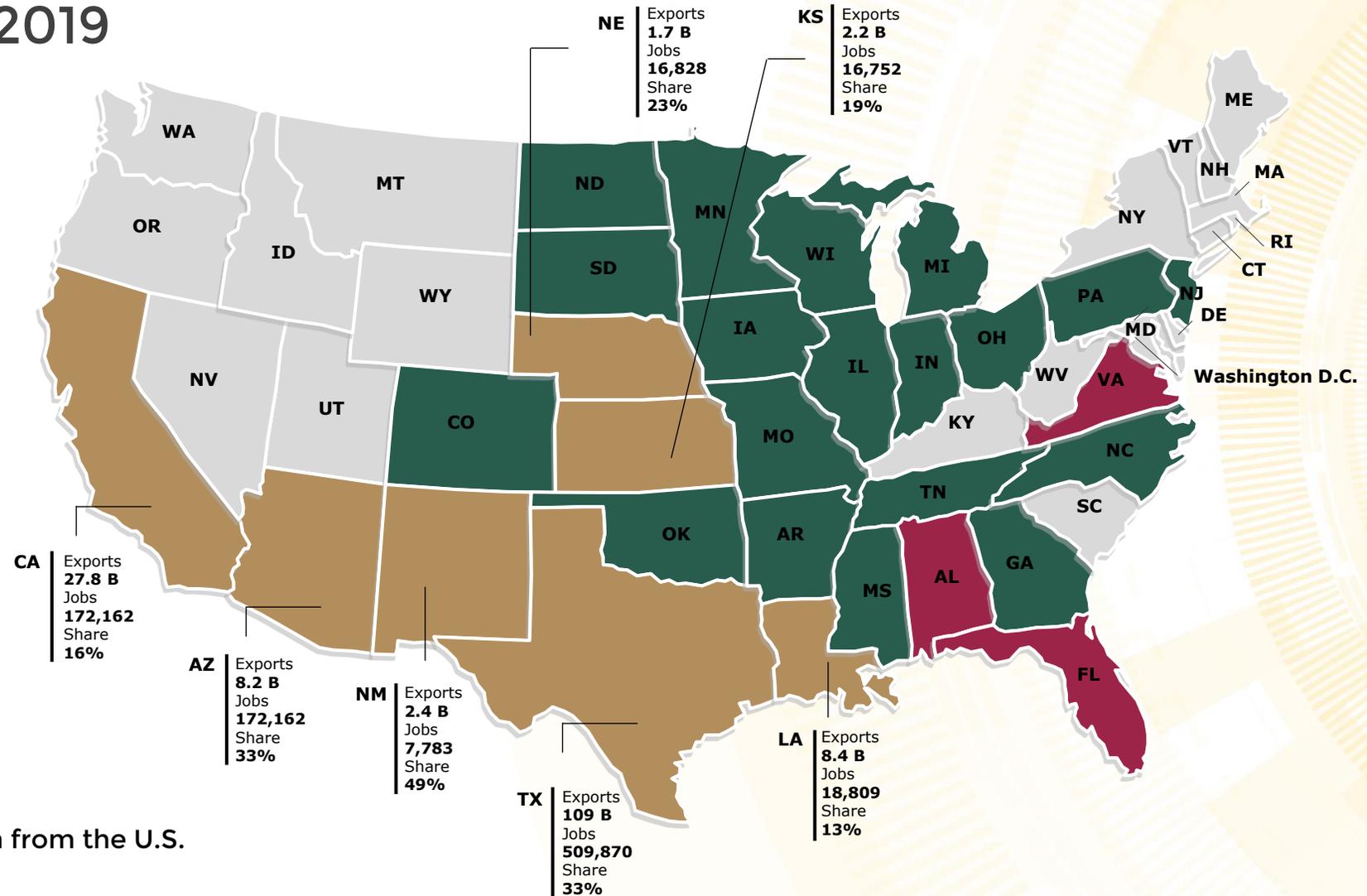
Source: Secretaria de Economía with data from the Foreign Agricultural Service, USDA.

■ U.S. Imports ■ U.S. Exports

Mexico is a key market for U.S. states' exports

U.S. exports by State, 2019

-  Mexico is the largest export market for 7 U.S. states
-  Mexico is the second largest export market for 19 U.S. states
-  Mexico is the third largest export market for 3 U.S. states.



Source: Secretaria de Economía with data from the U.S. Census Bureau .

Mexico is a partner and an ally to PA and NJ

Mexico – Pennsylvania – New Jersey Trade Outlook, 2019



19,570 Jobs supported by trade with Mexico (2017)
4.24 B Exports to Mexico accounting for **10%** of its total exports
7.11 B Imports from Mexico, **8%** of its total imports



141,200 Jobs supported by trade with Mexico (2017)
2.86 B Exports to Mexico accounting for **18%** of its total exports
4.78 B Imports from Mexico, **24%** of its total imports

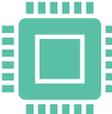
We produce together to compete globally

38% U.S. content
in Mexican auto exports to the U.S.

Mexico sends to the U.S.

Product HS4	Amount	Share
 Cars	35.0 B	10.1%
 Computers	26.4 B	7.6%
 Autoparts	24.7 B	7.1%
 Trucks	22.8 B	6.6%
 Crude oil	14.2 B	4.1%
 Insulated wire	11.4 B	3.3%
 Phones/cellphones	10.5 B	3.0%
 Televisions	9.0 B	2.6%
 Tractors	8.6 B	2.5%
 Seats	7.0 B	2.0%


Automotive


Electronics


Energy

The U.S. sends to Mexico

Product HS4	Amount	Share
 Gasoline	27.9 B	10.5%
 Autoparts	17.0 B	6.4%
 Accesories/computers	11.7 B	4.4%
X Low cost shipments	7.4 B	2.8%
 Integrated circuits	6.9 B	2.6%
 Gas	5.4 B	2.0%
 Computers	5.1 B	1.9%
 Diesel motors	4.5 B	1.7%
 Electric switches	4.4 B	1.7%
 Phones/cellphones	4.4 B	1.6%

Pennsylvania and Mexico are Integrated

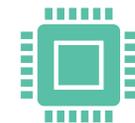
Mexico-Pennsylvania trade accounts for **\$11.3 billion** and supports regional supply chains specialized in the automotive, electronics and chemical sectors.

Mexico sends to Pennsylvania

Product HS4	Amount	Share
 Tractors	828	12%
 Televisions	510	7%
 Cars	435	6%
 Centrifuges	366	5%
 Trucks	318	4%
 Refrigerators	266	4%
 Autoparts	253	4%
 Electric batteries	244	3%
 Plastic articles	187	3%
 Phones/cellphones	180	3%



Automotive



Electronics



Chemicals

Pennsylvania sends to Mexico

Product HS4	Amount	Share
 Compounds of precious metals	470	11.1%
 Parts for electronics	206	5%
 Autoparts	190	4%
 Electric switches	130	3%
 Catalytic preparations	126	3%
 Polymers of propylene	106	2%
 Textile fabrics	97	2%
 Aluminum	95	2%
 Plastic	91	2%

*Millions of U.S. dollars

Source: Secretaría de Economía with data from the U.S. Census Bureau. (2019 data)

New Jersey and Mexico are Integrated

Mexico-New Jersey trade accounts for **\$7.7 billion** and supports regional supply chains specialized in the chemical and machinery sectors.

Mexico sends to NJ

Product HS4 Amount Share

 Televisions	795	17%
 Bread & pastry	530	11%
 Automatic regulating instr.	260	5%
 Medical instruments	256	5%
 Signaling apparatus	180	4%
 Spirits < 80% alcohol	165	3%
 Cars	134	3%
 Appl. for thermo controlled valves	108	2%
 Hair products	104	2%
 Imps of returns exps	97	2%



NJ sends to Mexico

Product HS4 Amount Share

 Mixtures of ododriforous subst.	189	7%
 Catalytic preparations	167	6%
 Binders for found molds	96	3%
 Centrifuges	94	3%
 Polyacetals	88	3%
 Phenol-alcohols	88	3%
 Wheat	61	2%
 Acrylic polymers	55	2%
 Vinyl polymers	49	2%
 Chocolate	49	2%

*Millions of U.S. dollars

Source: Secretaria de Economía with data from the U.S. Census Bureau. (2019 data)

Exports from Pennsylvania and New Jersey's top metropolitan areas rely on Mexico

PA and NJ top metropolitan areas exports to Mexico, 2018

Metro Area	Amount	Share of MA's total exp.	Exp. As share of GDP (2017)	Exports growth (since 2005)
Philadelphia-Camden-Wilmington	3.2 B	14%	1%	138%
Pittsburgh	951 M	10%	1%	52%
New York-Newark-Jersey City	5.4 B	6%	0.30%	65%

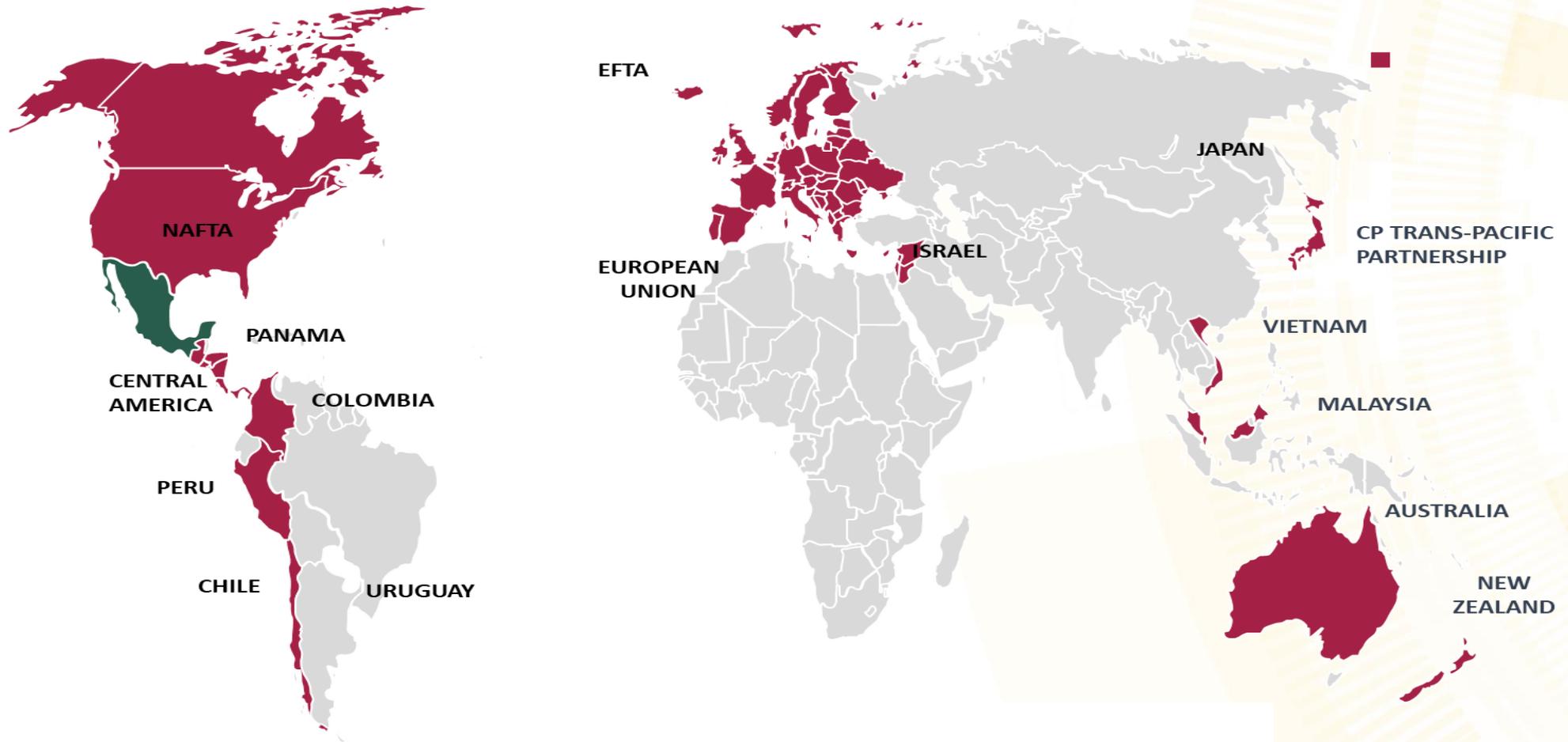
Source: Secretaría de Economía with data from U.S. International Trade Administration.

A close-up photograph of two business people shaking hands. The person on the left is wearing a dark blue suit jacket, and the person on the right is wearing a dark red suit jacket. The background is blurred, showing a man in a red shirt and tie. The text "3. Why choose Mexico?" is overlaid on the left side of the image.

3. Why choose Mexico?

1. Mexico: 7th largest exporter in the world and 1st in Latin America

USMCA and other 12 FTAs with 48 countries connect the Mexican economy to more than 1.3 billion consumers (60% of the world's GDP)



2. Mexico offers a solid infrastructure and logistics network

According to the WEF, Mexico ranks among the top 30% countries with best transport infrastructure.



172,000 km roads, where 62.4% of México´s total exports move.



27,000 km railway tracks, move 13% of Mexico´s total exports



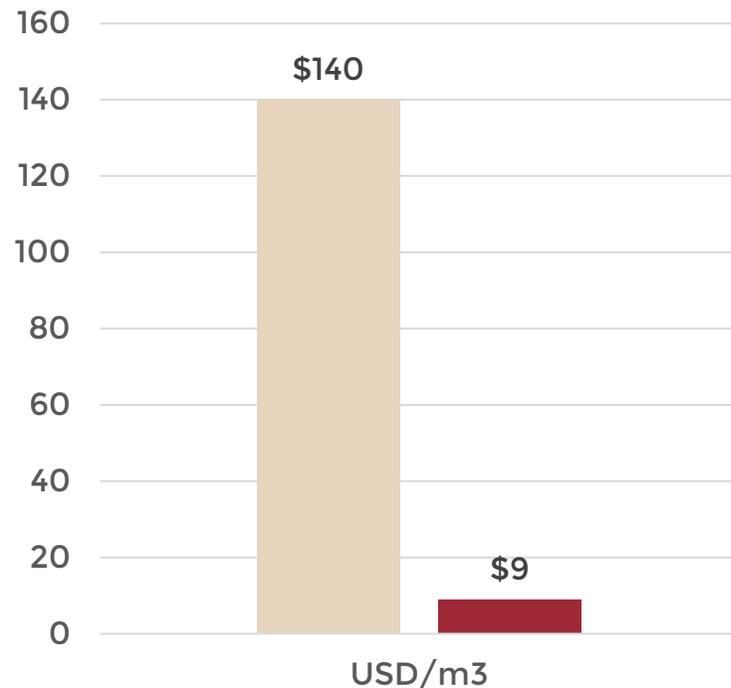
117 Ports move 19.7% of Mexico´s total exports



76 Airports (64 int. + 12 nat.) move 4.3% of Mexico´s total exports

3. Strategic location and competitive logistic costs

Low shipping costs



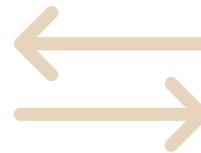
Source: GBM. Global Value Chains Disruptions

■ China to U.S. ■ Mexico to U.S.

Maritime days to selected destinations

Destination	Mexico	China	India	Brasil	South Korea
New York	5	32	25	15	21
Los Angeles	4	18	31	23	17
Rotterdam	16	32	20	17	33
Yokohama	19	4	17	35	3

Source: The Boston Consulting Group in De la Madrid (2014)

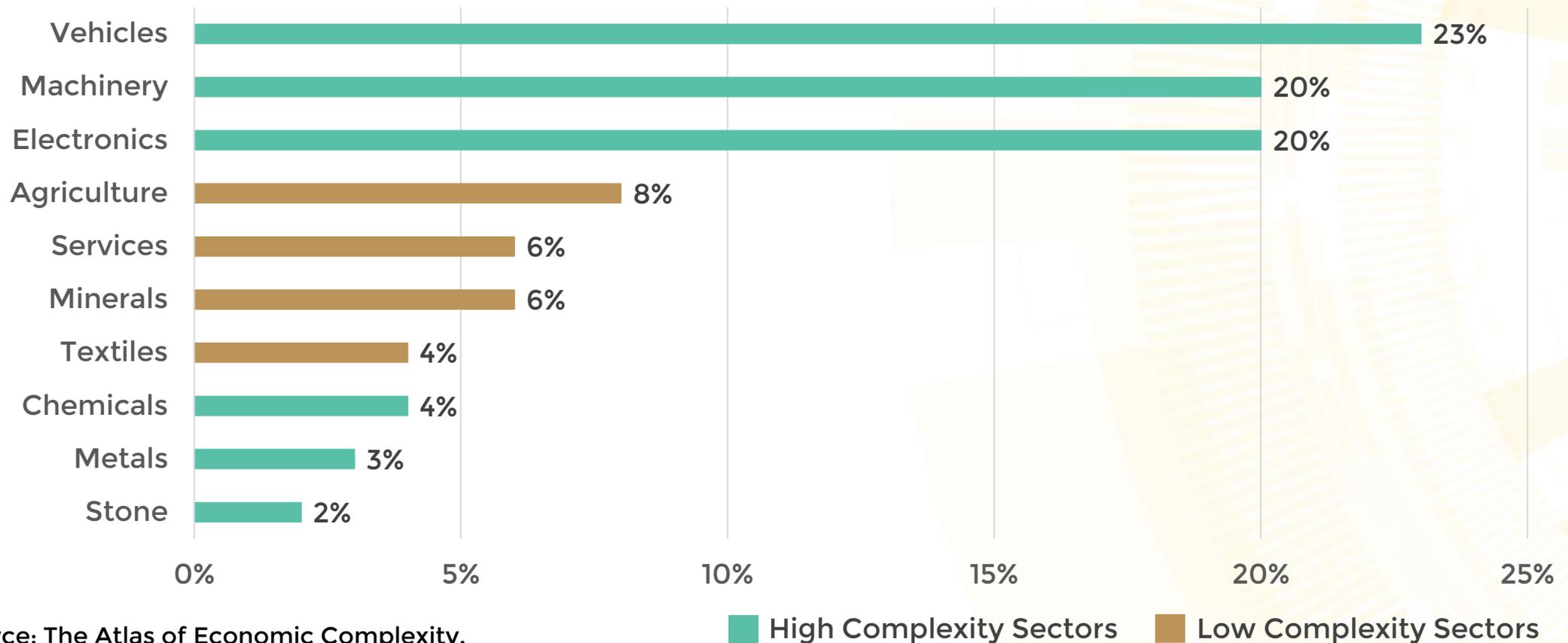


More than 50 ports of entry between the U.S. and Mexico

4. Mexico has a diverse and innovative industrial platform

With more than 2/3 of its exports in **high complexity sectors**, Mexico ranks as the **19th most complex economy**

Industry share of Mexican exports by economic complexity, 2018



Source: The Atlas of Economic Complexity.

5. Mexico leads in manufacturing production

Mexico became the **6th largest world producer of vehicles (2019)**¹ and ranked **4th as exporter worldwide (2018)**².

6th largest supplier of aircraft parts to the USA (2019)³.

6th largest exporter of information technology products and services (2018)⁴.

8th largest exporter of medical devices worldwide (2017)⁵.

¹ Source: <http://www.oica.net/category/production-statistics/2018-statistics/>

² Source: https://www.wto.org/spanish/res_s/statis_s/wts2019_s/wts2019_s.pdf

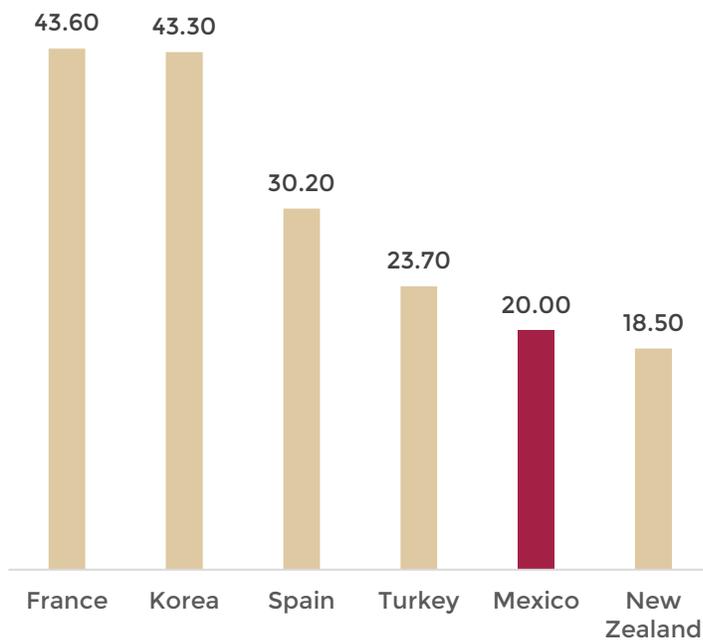
³ Source: <https://legacy.trade.gov/td/otm/assets/aero/AeroTop20SuppliersAnnual.pdf>

⁴ Source CANIETI <https://esemanal.mx/2019/10/desciende-mexico-a-la-sexta-posicion-como-exportador-de-servicios-de-ti/>

⁵ Source: AMID. <https://amid.org.mx/wp-content/uploads/2019/06/Descargable-de-la-secci%C3%B3n-Datos-de-la-industria-.pdf>

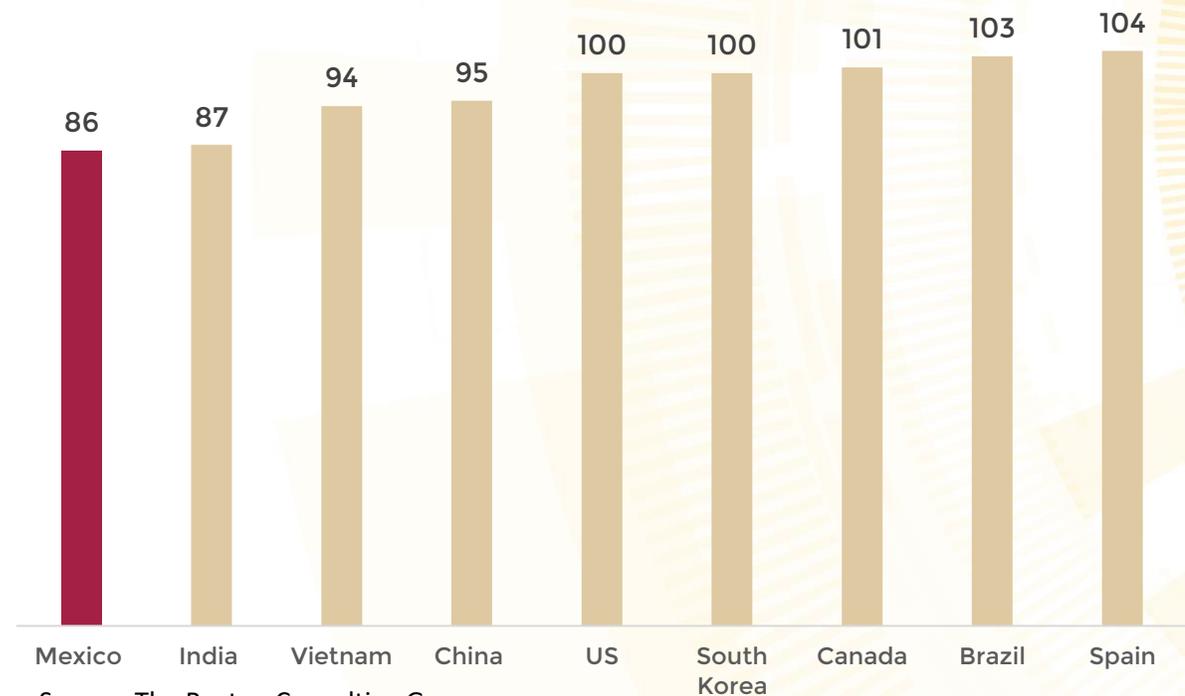
6. Competitive and cost effective manufacturing sector

Natural gas for industry in USD/(MWh GCV), 2019



Source: International Energy Agency and CRE

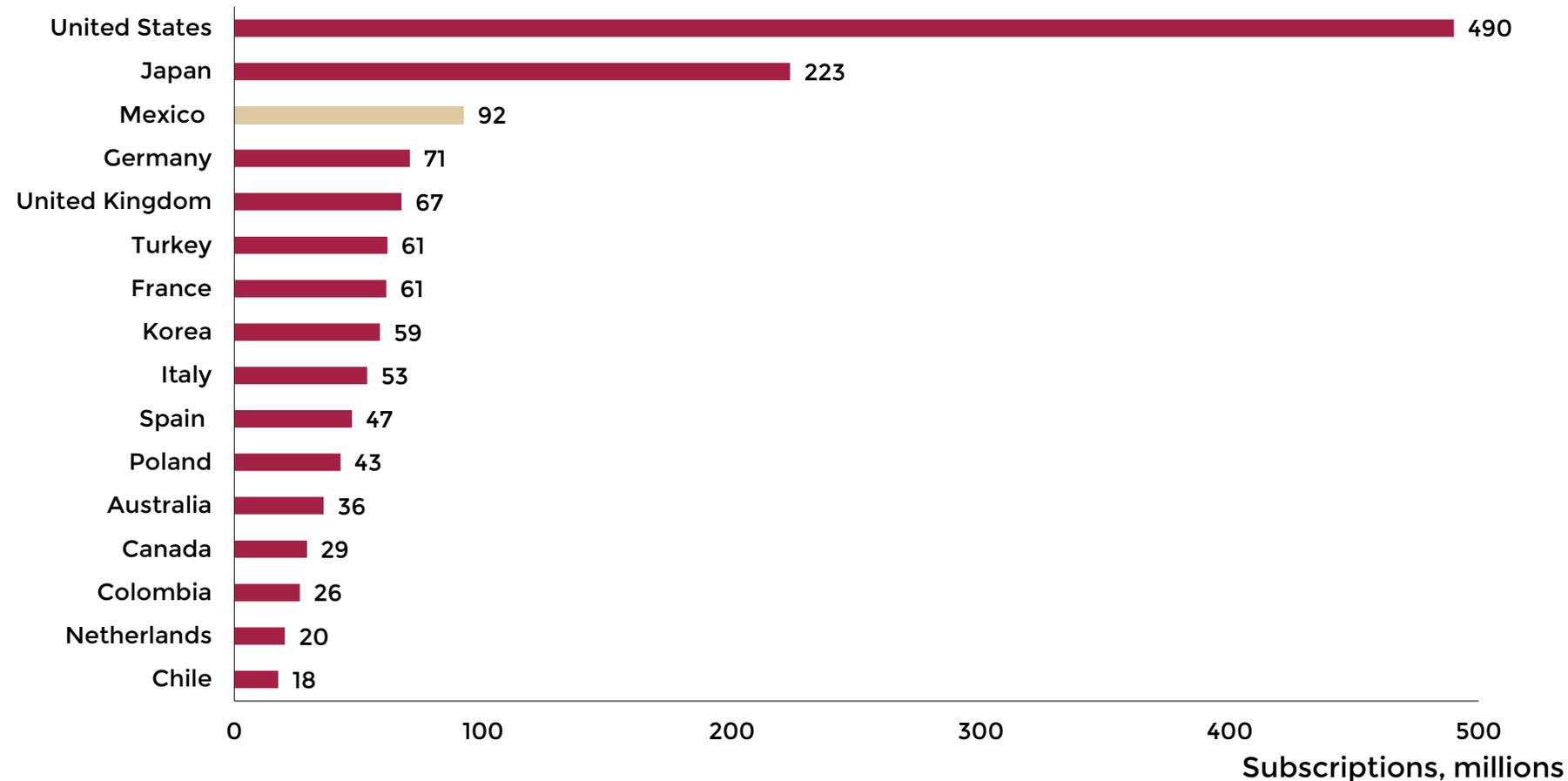
Global Manufacturing Cost Competitiveness Index, 2019



Source: The Boston Consulting Group

7. Internet connectivity and broadband access supports 4th IR, IOT, digital economy

Mexico is third in mobile broadband subscriptions within OECD



74%

mobile penetration rate

17%

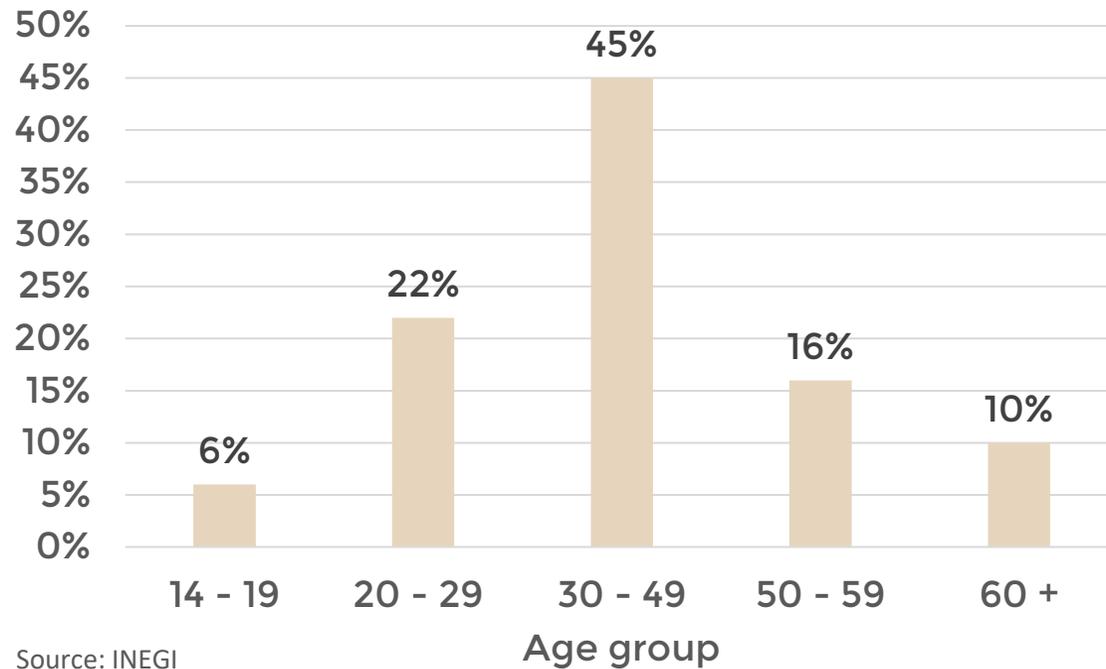
annual growth in past 5 years

92M

mobile broadband subscribers

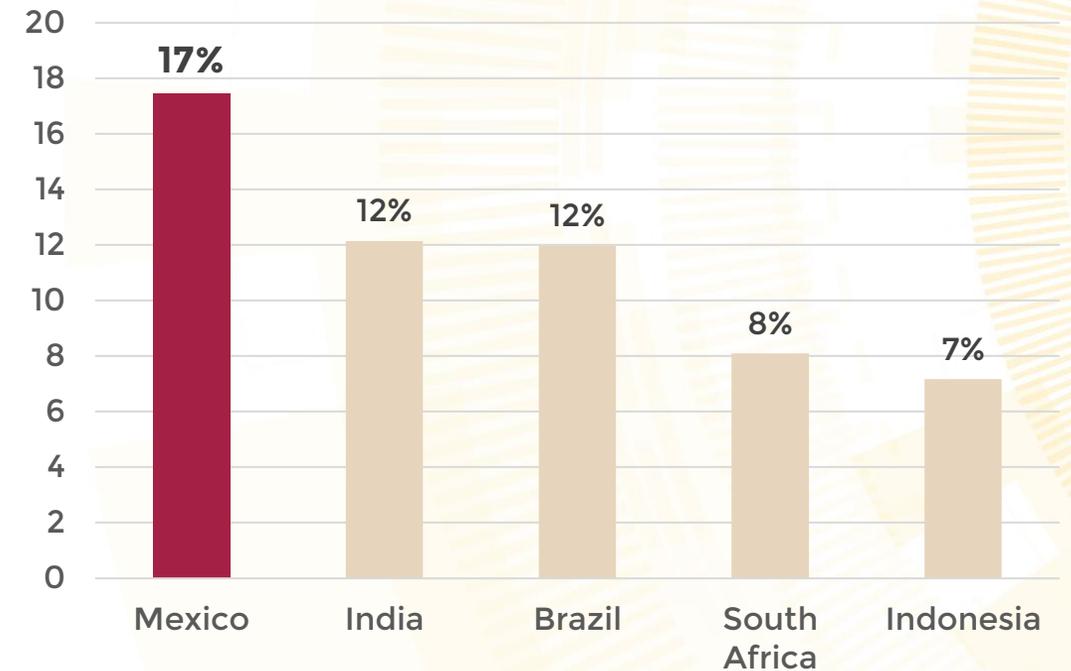
8. Young, competitive and skilled workforce

Economically active population in Mexico by age, Q1 2020



Source: INEGI

Share of graduates come from engineering programs, 2017



Source: UNESCO



4. USMCA challenges and opportunities

Actions to face COVID-19



USMCA governments work coordinately to:

- ✓ Define protocols and conditions to allow transition towards reopening productive activities: essential
 - ✓ Use of TICs
- ✓ Coordinate border crossings to secure health.
 - ✓ Implement USMCA

USMCA opportunities



USMCA will be a key factor in the economic recovery of the three countries as it will contribute to:

- **Relocation**
- **Nearshoring**
- **Decoupling**

To build resilient GVC



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Producto
T-MEC.

Integración comercial y productiva para el bienestar

Thank you!

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