



**U.S.-MEXICO
FOUNDATION**

THE IMPORTANCE OF THE U.S.-MEXICO RELATIONSHIP AND PROSPECTS FOR FUTURE COOPERATION

June 2021

This paper explores the complexities of the U.S.-Mexico relationship across a diverse range of issues and is intended to serve as a useful reference for U.S. Members of the Congress who are considering foreign policy, trade, economic cooperation, and immigration matters related to one of the most important allies and trading partners of the U.S.

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OVERVIEW

A deep relationship

Mexico and the U.S. share one of the longest and busiest land borders in the world, with 1,954 miles and almost \$1.5 billion dollars worth of goods traded between both countries every single day. The deep ties bred by this intense exchange are obvious across all dimensions of the relationship between both countries.

Demographically, over 36 million Mexicans live in the U.S., and almost a million Americans live in Mexico, making both countries each other's top destination for its own nationals living abroad.

Culturally, Mexican restaurants are the second most popular type of eatery in the U.S. (more so than pizzerias) and 238 million Americans report using Mexican food or ingredients in their diets, while the National Football League's most important foreign market is Mexico, with over 23 million Mexicans describing themselves as NFL fans.

On the economic front, Mexico is the United States' second largest trading partner, with deep integration of supply chains and enormous potential for a joint global competitiveness strategy.

Strengthening economic ties through USMCA

Over the last 25 years, both countries have undergone a dramatic process of economic integration, driven primarily by the North American Free Trade Agreement (NAFTA) which came into effect in 1994. That watershed agreement was replaced on July 1, 2020, by the U.S.-Mexico-Canada Agreement (USMCA), which modernized the existing free trade regime in North America by introducing state-of-the-art trade rules that reflect the technological changes that our region has gone through in the last quarter century. The USMCA also includes "social" provisions that were not considered in trade agreements 30 years ago, but that are now deemed essential to ensure that the benefits of free trade can reach all sectors of North American society.

This "renewal of the free trade vows" may generate substantial opportunities for shared prosperity across many economic sectors and for an overall boost to North America's global competitiveness, if the USMCA is properly implemented by the U.S., Mexico and Canada.

The USMCA creates favorable conditions for nearshoring essential productive processes and reducing the type of risks from overstretched supply chains that have been highlighted (at great cost for businesses and consumers) by the COVID pandemic. At the same time, revamped rules of origin and a focus on innovation and emerging technologies have the potential to foster a deeper regional integration for many of the region's most important products, bolstering our competitive position in the world.

The long-term economic benefits could be significant for already successful manufacturing sectors such as automotive, aerospace, machinery and equipment, electric and electronic products, steel and metal products, textiles and apparel, and it could have a positive impact on high-tech sectors including medical equipment, pharmaceutical products, biological products and fintech, as well as in agriculture and agribusiness, all of it underpinned by efficient transport and logistics.

Overcoming the COVID trial

It is impossible to talk about the present and future economic situation in North America, and the prospects of cooperation between Mexico and the U.S., without addressing the major challenge posed by the COVID pandemic.

Mexico's economy is experiencing major strains, with the pandemic exacerbating underlying imbalances and, deepening a recession that had started before the lockdown. The Mexican government has faced multiple difficulties to effectively contain the virus or roll out a vaccination effort near the U.S. scale, and has implemented some economic policies that are deemed to have damaged investor confidence.

A post-pandemic international environment that will probably reshape government policy and economic structure for years to come through sustained international trade reconfiguration, increased government intervention and structural change in industries and markets will sharpen the challenges and opportunities for the U.S.-Mexico economic relationship, including USMCA's centrality to resuming growth in the Mexican economy.

Addressing challenges on immigration

Both countries share a great tradition of immigration and cross-cultural exchange and assimilation, which has undoubtedly strengthened the fabric of societies on both sides of the border. The history of immigration between Mexico and the U.S. is also a difficult one, recurrently giving rise to domestic and cross-border frictions.

Approximately 5.5 million undocumented Mexicans live in the U.S., accounting for half of the total unauthorized population. Net migration from Mexico to the U.S. (inflows minus

outflows) has been negative for years, resulting in a net decrease of 780,000 Mexicans residing in the U.S. since 2010. The remittances sent back home by Mexican nationals amounted to \$34.5 billion in 2019, a figure that by all indications only grew during the COVID-marked 2020.

The migration issue has led to a complex -and sometimes conflicting- set of policy measures, from Deferred Action for Childhood Arrivals (DACA) and Migrant Protection Protocols (MPP) to a Supplementary Agreement between the U.S. and Mexico codifying U.S.-Mexico cooperation in handling migration from third countries to the U.S. across Mexican territory.

One of the central challenges in handling migration is overcoming the deep-seated incentives of people in Southern Mexico and Central America to migrate: 30% of Southern Mexican migrants and over 50% of their Central American peers cite lack of employment opportunities in their home countries as one of their main reasons to seek opportunities in the U.S.

Despite these significant challenges the most important ally of the United States is its southern neighbor, and that together with Canada, a prosperous Mexico can contribute to the prosperity and security of the North American region.

EXECUTIVE SUMMARY

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I.1. Soft power as a tool to bring the U.S. and Mexico closer together.....p.13

Mexico and the United States share a close and deep relationship. An example of this is that more than 40 million people speak Spanish in the United States, making it the second most spoken language behind English. A large percentage of this Spanish-speaking population consists of people of Mexican origin, which has translated into a fusion of traditions and culture across different areas, including gastronomy, entertainment, and sports just to name a few.

The deepening of the bilateral relationship is also seen in education. Between 2000 and 2017, there were 33,854 Mexican students in undergraduate and graduate programs in the United States, representing the top destination for Mexican students abroad. Over the years, many programs and government initiatives for promoting educational exchanges have been established, like the US-Mexico Bilateral Forum on Higher Education, Innovation and Research (Bilateral Forum or FOBESII, in Spanish). During President Biden’s first conversation with Mexican President Andrés Manuel López Obrador, the two leaders agreed to relaunch the HLED, which should open opportunities for continued bilateral cooperation, among others, on educational exchanges and innovation.

II. Trade and investment conditions in Mexico and the US.....p.16

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Mexico’s economy had entered recession even before the COVID-19 lockdown. The pandemic is exacerbating the economy’s imbalances, deepening the recession and further restricting options to overcome the problem. With the Mexican government’s avowed commitment to macroeconomic stability in increasingly dire circumstances, USMCA is emerging as the lynchpin to influence economic policy and one of the few avenues to eventually resume growth.

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The COVID-19 pandemic and the ensuing (partial) lockdown exacerbated Mexico’s economic recession, which started in 2019, one year before COVID exploded in Mexico. The Mexican economy contracted by 17.3% in the second quarter of 2020, which represents the sharpest drop on record. According to the most recent estimate by INEGI (National Institute of Statistics and Geography), the Mexican economy contracted 8.5% in 2020 with respect to the previous year, but

is expected to return to a positive growth trend in the following years. COVID-19 will lead to sustained international trade reconfiguration, increased government intervention and structural change in industries and markets. These trends will sharpen the challenges and opportunities for business in Mexico and in the United States, as well as for bilateral trade.

III. *The USMCA has the potential to take NAFTA's central place in Mexico's growth and modernization.....p.31*

III.1. *NAFTA undergirded Mexico's modernization, but even before Trump there was increasing need for an update.....p.31*

The North American Free Trade Agreement (NAFTA) solidified Mexico's transition from one of the world's most closed economies to one of its most open economies, eliminating trade barriers, enshrining long-term rules for key areas of the economy and setting up new institutions and government agencies. NAFTA revolutionized the Mexican economy, not only by reducing tariffs and eliminating technical barriers to trade, which led to a rapid increase in trade with the U.S. and Canada.

NAFTA's long term contribution to the Mexican economy was the establishment of trade rules in key areas of the economy such as investment, agriculture, competition/antitrust, intellectual property, customs procedures, rules of origin, telecommunications, government procurement, cross-border trade in services, and many others, that changed the domestic legal and regulatory landscape in Mexico. However, by the second decade of the 21st century, NAFTA was ripe for an update. The Trump presidency precipitated a change that had been long coming.

III.2. *The USMCA was achieved in very difficult circumstances.....p.35*

The renegotiation of NAFTA had to overcome the Trump Administration's deep skepticism to the benefits of a regional free trade agreement. The question often arises as to whether the USMCA is a better or worse agreement than NAFTA, and whether North America would have been better off keeping the NAFTA in place. However, it makes more sense to look at the USMCA as the evolution of NAFTA, one that reflected the changing times in the economic and political landscape of North America, as well as the fundamental changes in civil society that occurred in the last quarter-century.

Given the political realities in the North American region, especially in the United States, the real choice in 2017 was between building a new NAFTA (what eventually became USMCA) or having no NAFTA at all. Before the USMCA negotiation began, and for many months afterwards, President Trump repeatedly

threatened to pull out of NAFTA, but was eventually persuaded to pursue negotiations over withdrawal.

III.3. **The USMCA preserves NAFTA's benefits and brings the agreement up to date.....p.36**

In spite of the inauspicious start to the negotiation, the resulting US-Mexico-Canada Agreement (USMCA) builds on NAFTA, preserving free trade in North America, guaranteeing legal certainty, making the agreement more inclusive and introducing modernization in key areas, including trade facilitation, new technologies, bolstered intellectual property protection, more stringent rules on technical regulations and higher requirements for regional integration in the automotive sector. The USMCA is a balanced agreement for all three countries, and the four main objectives were ultimately accomplished:

- a) **Preserving Free Trade:** No tariffs, quantitative restrictions or other managed trade mechanisms were included in the USMCA, thus maintaining full free trade across the board, with the exception of certain Canadian agricultural products, and products from any of the three countries that are subject to Antidumping or Countervailing Duties.
- b) **Modernizing the Agreement:** NAFTA accomplished the goal of increasing trade and investment in the region, but despite its success, it was an old agreement (25 years old), and it was necessary to upgrade it with disciplines which are essential for today's globalized economy. Some of these did not even exist when the original NAFTA was negotiated, such as digital trade. Other "modernization" chapters include Competitiveness, Good Regulatory Practices, and State-Owned Enterprises, among others.
- c) **Making the Agreement more inclusive and responsible:** A series of "socially oriented" disciplines were added, with the goal of spreading the benefits of Free Trade to all sectors of the North American population. The Labor and Environmental Side-Agreements were modified to include new commitments and obligations, and were incorporated into the agreement as stand-alone chapters, subject to dispute settlement, just as any other chapter. In other words, they were given "teeth". In addition, new chapters were added to help small and medium enterprises (SMEs) take advantage of the USMCA, as well as a chapter on Anticorruption which was actively promoted by the Mexican private sector.

- d) **Preserving NAFTA's Dispute Settlement Mechanisms:** The USMCA preserves and improves the three main mechanisms to solve conflicts in the agreement that were present in NAFTA: 1) The State-State dispute resolution mechanism enshrined in Chapter 31; 2) The Investor-State dispute system included in Chapter 14; 3) and the mechanism that allows private parties to challenge decisions taken by investigative authorities from USMCA members on antidumping and countervailing duties.¹

III.4. **The USMCA can be a powerful tool for post-COVID economic recovery..p.43**

As the COVID-19 crisis recedes and supply chains are reestablished, USMCA could boost the U.S. and Mexican economic recovery, provided it is accompanied by sound domestic policies. However, the economic benefits of the USMCA will not be felt immediately. This is due to the enormous economic crisis that is affecting our region, and the rest of the world, caused by the COVID-19 pandemic and the resulting economic downturn of most productive activities. The potential game changer that could reduce the economic impact of the latest COVID waves is undoubtedly the effort that several countries are making to ramp up their vaccination strategies.

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IV.1. **Times of crisis are times of opportunity - The changing economic environment.....p.47**

Both COVID-19 and US-China trade tensions are causing substantial pressure on global trade flows in the short term. In the longer term, the disruption to supply chains caused by both phenomena could substantially increase the attractiveness of Mexico as an investment and manufacturing location, to take advantage of the certainty brought by USMCA and the predictability associated with nearshoring.

The three North American countries should work towards developing and implementing the concept of "Ally Shoring", based on the principle that by producing together and exporting to the world, the USMCA region can become the most competitive region on earth. The process begins with the realization that investing in Mexico or Canada is not offshoring, because all three countries are part of a North American production perimeter, whereby building products jointly, the US, Canada, and Mexico can compete more effectively with the rest of the world.

¹ 1) State-State Dispute Settlement; 2) Investor-State Dispute Settlement; 3) Trade Remedies Dispute Settlement for AD/CVD cases

IV.2. The sectors of the future.....p.53

There are significant opportunities for trade and investment in the U.S. and Mexico stemming from the USMCA, ranging from ‘traditional’ manufacturing (automotive, aerospace, machinery and equipment, electric and electronic, steel and steel products, metals and metal products, textiles and apparel); high tech sectors including medical equipment, pharma and the digital economy; agriculture and agribusiness; as well as transport and logistics.

Three major categories of sectors are believed will see the greatest benefits from USMCA, something that can contribute significantly to the economic recovery of the U.S., Canada, and Mexico:

- The first group includes the manufacturing sectors that were already successful under NAFTA and that will continue to grow.
- The second set comprises high tech sectors where there is a great potential for North America to consolidate its position as world leaders. This category could be referred to as the “knowledge economy”, and it encompasses all of the sectors that are directly related to the growth of digital services, and e-commerce (both in their ability to generate B2B and B2C solutions).
- The third category includes what are perhaps the biggest success stories of NAFTA, which are the agricultural and agri-business sectors. This group also includes the backbone of any country that intends to become a world player in international trade: the logistics and transportation sectors.

V. Immigration: A long and winding road.....p.57

In 2019, Mexicans accounted for almost 24% of the approximately 45 million foreign-born residents of the United States, with 11 million Mexican-born individuals living in the US. The Mexican population (authorized and unauthorized) in the U.S. has declined by almost 780,000 people since 2010, Since then, the number of undocumented Mexican immigrants deported has decreased drastically, which reflects a lower flow of illegal Mexican immigrants to the US, going from almost 479 thousand in 2010 to 170 thousand in 2020.

V.1 Deferred Action for Childhood Arrivals (DACA).....p.58

As of June 2020, there were approximately 880,000 Mexican immigrants who could be eligible for Deferred Action for Childhood Arrivals (DACA), and 520,000 Mexican DACA recipients.

- V.2 **Migrant Protection Protocols (MPP)**.....p.59 The U.S. Department of Homeland Security (DHS) announced in 2019 the implementation of the Migrant Protection Protocols (MPP), under which asylum seekers were sent to Mexico until they were given notices to appear in immigration court. The American Immigration Council has stated that the lack of legal assistance for these asylum seekers, and the insecurity that they encounter in Mexican border towns has made it practically impossible for MPP applicants to be granted asylum. By the end of 2020, only 638 people were granted asylum, out of 42,012 people subject to MPP.
- V.3 **Supplemental Agreement between Mexico and the US**.....p.60 In 2019, the United States and Mexico reached an agreement to strengthen immigration enforcement. Mexico agreed to the deployment of the National Guard throughout Mexico in order to enforce immigration laws. Around 21,000 members of the National Guard were deployed, of which 15,000 soldiers were placed on the U.S.-Mexico border and 6,000 on Mexico’s southern border. It was later decreed that 2,400 troops would remain on the southern border permanently. As a result of this agreement, there was a significant decrease in the number of Visiting Cards for Humanitarian Reasons (TVRH) granted by the Mexican government, for migrants from Central America.
- V.4 **U.S. Citizens in Mexico**.....p.63 Approximately 797,000 Americans live in Mexico, which represents the largest population of U.S. immigrants around the world and 65.8% of the total migrant population in Mexico. A large percentage of U.S. citizens living in Mexico are children who were born in the United States, and an important number of these are children of illegal immigrants who were deported back to Mexico. In addition, of the almost 800 thousand U.S. citizens living in Mexico, 35.4% are under 12 years old, 36% are between 12 and 19 years old, 15.8% are between the ages of 20 and 34, and only 12.1% are older than 34 years old. The growing U.S.-born population in Mexico is mainly explained for Mexican parents deported to their country with their U.S.- born children, but also by an increase in voluntary returns from the United States, where more than half of returnees cited family reunification as their motivation to return.
- V.5 **Economic Impact of Immigration**.....p.64 Hispanic households in the United States, where more than half correspond to households of Mexican origin, accounted for more than US \$780 billion in spending power. Hispanic immigrants are nearly 25% more likely to have their own business than the general population in the United States. Over the past 10 years, the number

of Latino business owners grew 34% compared to 1% for all business owners in the United States. Additionally, Mexicans participate in the labor force at higher rates than overall foreign-born populations. About 69% of Mexican immigrants were in the civilian labor force in 2019, where they were more likely to be employed in occupations such as services, natural resources, construction, and maintenance occupations.

V.6 Bilateral coordination mechanisms.....p.65

Mexico and the U.S. share an interest in developing a comprehensive approach to migration. Mexico has established three coordination mechanisms to address immigration from a bilateral perspective:

First, the Executive Repatriation Policy Steering Group, which periodically evaluates, analyzes, and develops binational public policies in order to improve the repatriation processes of Mexicans, guaranteeing safe, dignified and orderly return schemes. Second, the Border Violence Prevention Council (BVPC) which is a policy-level decision making body that promotes initiatives aimed at preventing incidents of border violence through collaborative efforts, joint public engagement campaigns, increased transparency, and information exchange Third, the strengthening of the bilateral Consular Dialogue for the attention to nationals of both countries, that require assistance and consular protection abroad.

V.7 Prospects for future cooperation.....p.65

The Biden Administration has indicated that attention will be placed on strengthening existing border technology. Moving away from the border wall and eliminating the policy of separating undocumented children from their families at the border will undoubtedly ease tensions with Mexico.

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In the context of growing global instability and change, the clear rules and long-term certainty of the USMCA create significant opportunities for trade and investment in North America, but also, thanks to Mexico’s modernized free trade network, with Europe, Asia and Latin America.

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Realizing the USMCA’s potential for businesses entails understanding and complying with its rules, and navigating Mexican regulation in a context of domestic uncertainty. This can be a challenge, but the opportunities are worth it.

VI.3 **Increasing cooperation on immigration issues.....p.69**
Experience has shown that cooperation and policy coordination is the best approach to the challenges posed by immigration.

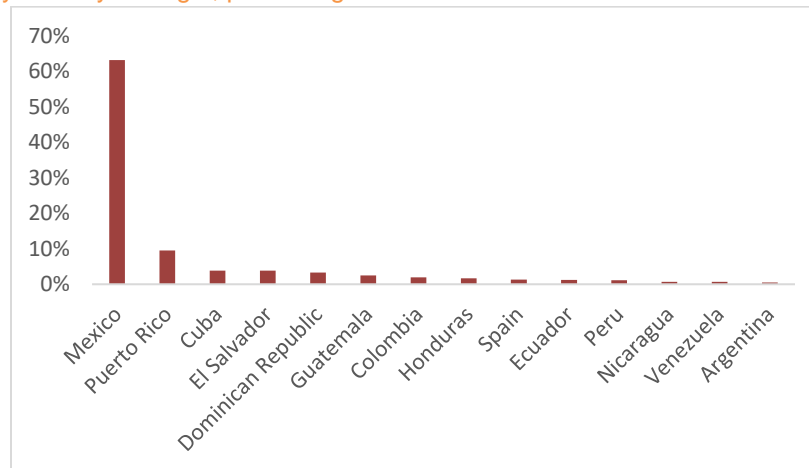
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Main macroeconomic variables U.S. and Mexico, U.S. Imports from Mexico by state, US Exports to Mexico by state, Largest trading partners U.S. and Mexico, Top ten export products to Mexico state by state.

I. A LONG TRADITION OF CULTURAL INTEGRATION

I.1. Soft power as a tool to bring the U.S. and Mexico closer together

1. In cultural terms, Mexico and the United States share a close and deep relationship. An example of this is that more than 40 million people speak Spanish in the United States, making it the second most spoken language behind English. A large percentage of this Spanish-speaking population consists of people of Mexican origin, since more than 36 million Mexicans live in the U.S., which represents 63% of the Hispanic population.²

Chart 1
Hispanic population in the U.S.
By country of origin, percentage



Source: Instituto Cervantes al FAS – Harvard University

2. The population of Mexican origin in the United States is still growing, but because of births and not because of immigration. In fact, between 2010 and 2016, the Mexican-born population living in the United States decreased 1%.³
3. Having such a large portion of the U.S. population with Mexican origins has translated into a fusion of traditions and culture. For example, Mexican food has permeated throughout the United States and is reflected in the fact that there are more than 59 thousand Mexican restaurants, representing about 9% of all restaurants and the second most popular type of menu in the U.S., surpassing, for

² Hernández-Nieto, R., & Gutiérrez, M. C. (2017). Hispanic Map of the United States 2017. *Informes Del Observatorio / Observatorio Reports*, 3–17. <https://doi.org/10.15427/or035-11/2017en>.

³ Ibidem.

example, pizzerias.⁴ Likewise, tequila has become one of the favorite drinks of the U.S. population and the U.S. is the main consumer of this beverage, only after Mexico. From 2015 to date, its consumption grew by more than 40%.⁵

4. Likewise, the number of Americans who reported enjoying Mexican food or ingredients in their diet is approximately 238 million.⁶ An example of this is the growing adoption of avocado in the U.S. diet in dishes such as guacamole. "Avocados from Mexico", a marketing company created by the Mexican Association of Avocado Producers and Packers for Export, has helped popularize the consumption of the fruit in the United States. The popularity of Mexican avocados and guacamole is so big in the U.S., that Avocados for Mexico became the first company in the agricultural sector to advertise during the Super Bowl.⁷
5. In addition to the culinary impact, Mexican cultural influence in the United States has been growing tremendously in other areas such as film and entertainment. The participation of Oscar-nominated and Oscar-winning Mexican directors in movie making in the U.S. truly stands out. Among them, Alfonso Cuarón (*Gravity* 2013), Alejandro Iñárritu (*Birdman*, 2014; *The Revenant*, 2015) and Guillermo del Toro (*The Shape of Water*, 2017)
6. Sports has been another area in which Hispanic influence has had a lot of weight. For example, soccer is the most popular sport among Latinos in the U.S. and particularly among Mexicans. Approximately twenty years ago, following the success of the first World Cup ever held on U.S. soil (1994), Spanish-language media began broadcasting soccer games from Mexico as well as the European leagues at a time when there was very limited coverage by U.S. sports networks such as ESPN or Fox Sports.⁸ Since then, soccer has gained enormous popularity and approximately 7% of Americans report that it is their favorite sport to watch on television, just behind baseball (9%).⁹ In this regard, US Youth Soccer has become the largest youth sport organization in the United States and annually registers close

⁴ Demeyer, J. (n.d.). *CHD Expert Evaluates the Mexican Restaurant Industry, the Second Most Popular Menu Type in the USA*. CHD-Expert. Retrieved February 27, 2021, from <https://www.chd-expert.com/chd-expert-evaluates-the-mexican-restaurant-industry-the-second-most-popular-menu-type-in-the-usa/#:%7E:text=As%20of%20April%202017%2C%20there,all%20restaurants%20in%20the%20USA.>

⁵ Aswani, S. (2020, September 30). *What's driving tequila's popularity in the US?* IWSR. <https://www.theiwsr.com/whats-driving-tequilas-popularity-in-the-us/>

⁶ Statista. (2020, November 13). *Consumption of Mexican food and ingredients in the U.S. 2020*. <https://www.statista.com/statistics/281028/us-households-consumption-of-mexican-food-and-ingredients/>

⁷ Avocados from Mexico. (2017, July 17). *Avocados from Mexico*. APEAM. <http://www.apeamac.com/avocados-from-mexico/>

⁸ Wagner, J. (2018, June 24). *Telemundo Has a Big Goal: Win the World Cup*. The New York Times. <https://www.nytimes.com/2018/06/23/sports/world-cup/telemundo-fox.html>

⁹ LoRé, M. (2019, April 30). *Soccer's Growth In U.S. Has International Legends Buzzing*. Forbes. <https://www.forbes.com/sites/michaellore/2019/04/26/soccers-growth-in-u-s-has-international-legends-buzzing/?sh=7f0b4f5f17f1>

to 3 million players across the country.¹⁰ In addition, nothing is more American than baseball, the national pastime, where today almost 30% of all players are Latino, including 15 Mexican players.¹¹¹²

7. Mexico has also developed an enormous NFL fan base as Mexican networks began broadcasting games in the 1970s. Today, the NFL is as popular as the Mexican soccer league, to the point where investors have been discussing the possibility of establishing an NFL franchise in Mexico in the near future.¹³
8. Another feature of the strengthening relationship between the two countries is the celebration of traditional Mexican and Latino holidays such as Cinco de Mayo in many parts of the U.S., and not only in places near the Mexican border. Heartland states such as Kansas, Nebraska and Idaho, routinely celebrate Cinco de Mayo and increasingly include “piñatas” in children birthday parties, a longstanding Mexican tradition.¹⁴
9. The deepening of the bilateral relationship is also seen in education. Between 2000 and 2017, there were 33,854 Mexican students in undergraduate and graduate programs in the United States, representing the top destination for Mexican students abroad.¹⁵ Over the years, many programs and government initiatives for promoting educational exchanges have been established, like the US-Mexico Bilateral Forum on Higher Education, Innovation and Research (Bilateral Forum or FOBESII, in Spanish). The Bilateral Forum was launched in 2014, as part of the High-Level Economic Dialogue (HLED), a presidential initiative between Mexico and the United States. The aim of the Bilateral Forum was to “expand opportunities for educational exchanges, scientific research partnerships, and cross-border innovation in order to develop a 21st century workforce for mutual economic prosperity and sustainable social development”.¹⁶ During President Biden’s first conversation with Mexican President Andrés Manuel López Obrador, the two leaders agreed to relaunch the HLED, which should open up opportunities for continued bilateral cooperation, among others, on educational exchanges and innovation.

¹⁰ <https://www.usyouthsoccer.org/about/who-is-us-youth-soccer/>

¹¹ Armour, Mark and Daniel R. Levitt.. SABR: Society for American Baseball Research. <https://sabr.org/bioproj/topic/baseball-demographics-1947-2016/>

¹² *MLB Players by Birthplace During The 2020 Season*. Baseball Almanac. <https://www.baseball-almanac.com/players/birthplace.php?y=2020>

¹³ <https://www.sbnation.com/2019/7/12/20688842/nfl-future-cities-relocation-london-mexico-toronto-portland-san-antonio>

¹⁴ Tobar, H. (2021, February 10). *How Latinos Are Shaping America’s Future*. National Geographic. <https://www.nationalgeographic.com/magazine/article/latinos-hispanic-power-america-immigration-future>

¹⁵ Roach, E. (2021, January 27). *Education in Mexico*. WENR. <https://wenr.wes.org/2019/05/education-in-mexico-2>

¹⁶ The US-Mexico Bilateral Forum on Higher Education, Innovation, and Research; U.S. Embassy in Mexico Press Release, 2017

10. Other domestic educational efforts which encompass not only the Mexican community in the U.S., but all Hispanic groups, include the Hispanic Heritage Foundation (HHF), created by the White House in 1987. Among its many activities to empower Latinos in the United States, the HHF focuses on education, empowerment and entrepreneurship programs so that the Hispanic population is better prepared and more competitive in the labor market. One of its most acclaimed programs has been "Code as a Second Language", which provides young people with courses in web design and computer programming.¹⁷

II. TRADE AND INVESTMENT CONDITIONS IN MEXICO AND THE US

II.1. The Mexican economy is facing important challenges

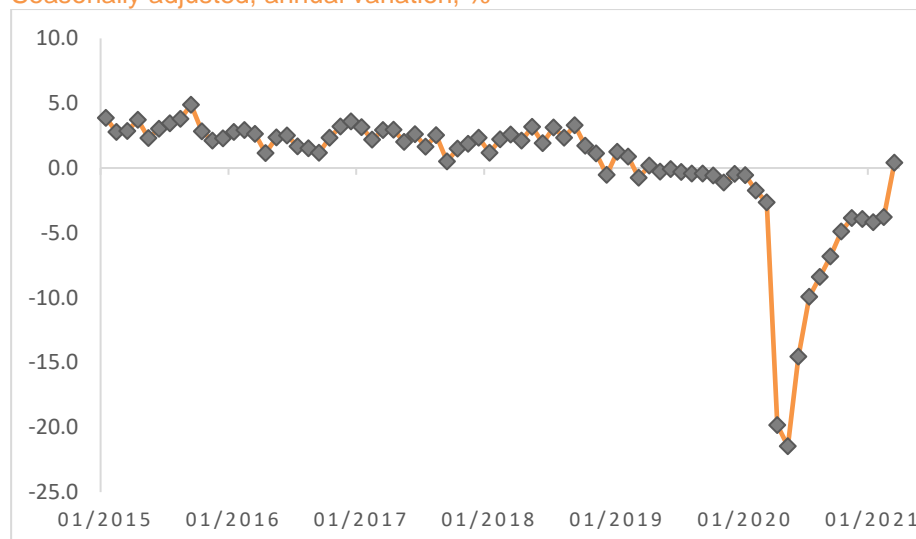
II.1.1. Structural issues

11. The global economic environment in recent years has been characterized by a slowdown in the growth of Western economies, in which Mexico has been no exception. The economic slowdown began at the end of 2018 and since the second semester of 2019, the Mexican economy fell into an economic recession deepened by the COVID 19 pandemic. The *Indicador Global de Actividad Económica* (Economic Activity Global Indicator) encapsulates the tendency of all major indicators:

¹⁷ Ibidem.

Chart 2
Indicador Global de la Actividad Económica (Economic Activity Global Indicator)¹⁸

Seasonally adjusted, annual variation, %



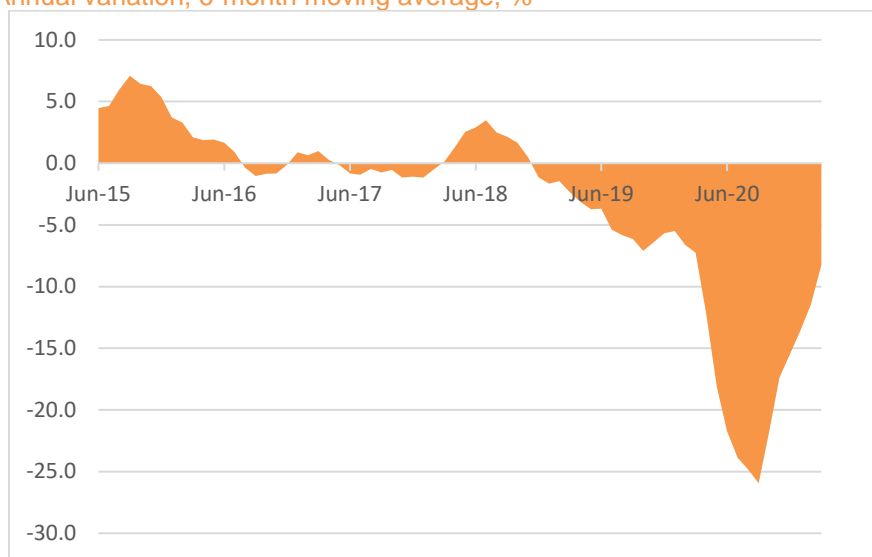
Source: INEGI, Indicador Global de la Actividad Económica (IGAE)

12. This trend is related to several interlocking factors structurally affecting economic performance:

- **Political transition has led to diminishing investment:** President López Obrador's administration, which came into power on December 1st 2018, has been inclined to carry out projects and policies in which the state assumes the leading role. This has led to tensions with the private sector. Examples of the latter have been the cancellation of the construction of the new Mexico City international airport (NAICM); the increase in electricity transmission rates for the private sector; the forced renegotiation of terms for long-term natural gas supply to state owned Comisión Federal de Electricidad (Federal Electricity Commission) in 2019; the reversal of permits for the construction of a brewery plant in Mexicali following a questionable public consultation in early 2020; and the array of regulatory decisions on renewable energy sources including the hydrocarbons sector questioned through local and international undertakings. This has soured foreign and local investors' assessment of Mexico as a location for their operations:

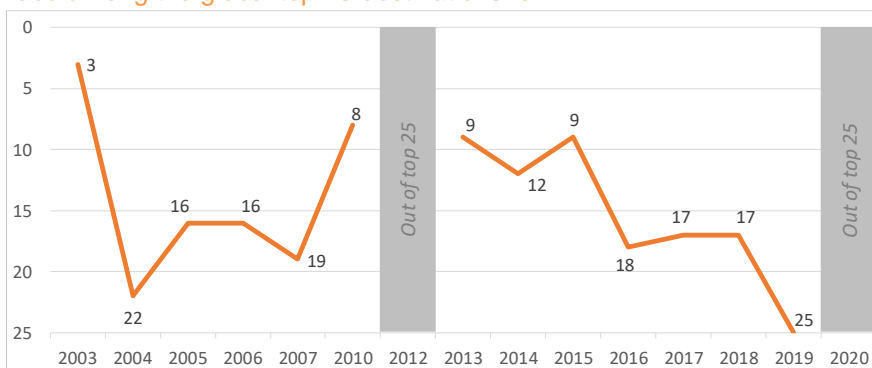
¹⁸ Literally overall economic activity indicator, an aggregate measure of the performance of the real sector of the economy that is published monthly with a smaller lag than GDP numbers.

Chart 3
Fixed gross investment
 Annual variation, 6-month moving average, %



Source: INEGI, Indicador mensual de la inversión fija bruta.

Chart 4
Mexico's attractiveness to foreign direct investment
 Place among the global top 25 destinations for FDI



Source: Kearney Foreign Direct Investment Confidence Index. In the years not shown in the graph, the index was not published.

- **Austerity measures in the public sector:** Mexico's new government took several measures to impose austerity on Mexico's civil service:

In 2019, with the majority in the Mexican Congress, the president's party (MORENA) approved different laws with the aim of eliminating the payment of pensions to former presidents, reducing compensations to public servants, hiring of advisory services, contracting health and severance insurance for civil servants, among others. In response to the COVID-19 health emergency, in April 2020, a decree was published with measures that include voluntary reductions of salaries, cancellation of disbursement of 75% of budget on general services and supplies,

elimination of 10 undersecretaries and relocation civil servants in order to guarantee budget to social programs and priority projects.

As another austerity measure, the presidential administration has sought to reduce the bureaucratic apparatus. In this sense, since 2019 the budgets for autonomous institutions such as the National Transparency Institute, the National Electoral Institute and the Human Rights Commission have been reduced since 2019, and in conjunction with the dominant party in Congress (MORENA), initiatives have been presented to merge the competition, telecommunications and energy regulators into a single body (these have not yet been approved by Congress).

- **Public investment focused on priority projects:** The López Obrador government is concentrating its public works activities on three major projects: The Santa Lucía Airport that is intended to substitute the cancelled NAICM; the *Tren Maya*, a passenger and freight train in the Yucatán Peninsula; and the Dos Bocas oil refinery in the President's hometown state, Tabasco.

Dos Bocas is part of a broader strategy to revitalize PEMEX, the ailing state oil company, to use it as a “*palanca de desarrollo*” (“lever for development”). PEMEX, together with the Federal Electricity Commission (CFE), the state-owned public utility company, posted losses for US\$28.8 billion in the first quarter of 2020 (i.e., largely before COVID-19)¹⁹. As of the third quarter of 2020, PEMEX's accumulated losses amounted to US\$26 billion and CFE's to more than US\$2 billion.²⁰ Moody's Investors Service estimated that PEMEX will require an injection in state funds equivalent to 2% of GDP for each of the four years between 2020 and 2024 just to keep up its basic operation, or up to 3% of GDP annually if the government were to fund investments to meet current production and reserve replenishment targets.²¹

Given all this, international investment agencies are increasingly bearish on Mexico:

¹⁹ 526.25 billion Mexican pesos for PEMEX and 121.80 billion Mexican pesos for CFE, according to their reports to the Mexican stock market on April 30 and July 3rd, respectively..

²⁰ 582.88 billion Mexican pesos for PEMEX and 51.70 billion Mexican pesos for CFE, according to their respective financial reports available in their webpages: <https://www.cfe.mx/finanzas/reportes-financieros/Reportes%20Trimestrales%20Documentos/3T%202020.pdf> ; <https://www.pemex.com/ri/finanzas/Reporte%20de%20Resultados%20no%20Dictaminados/Anexos%203T20.pdf>

²¹ Moody's Investors Service, https://www.moody.com/research/Moodys-downgrades-Mexicos-ratings-to-Baa1-maintains-negative-outlook--PR_422013, April 17, 2020.

Table 1
Mexican sovereign debt ratings
 Three main rating agencies

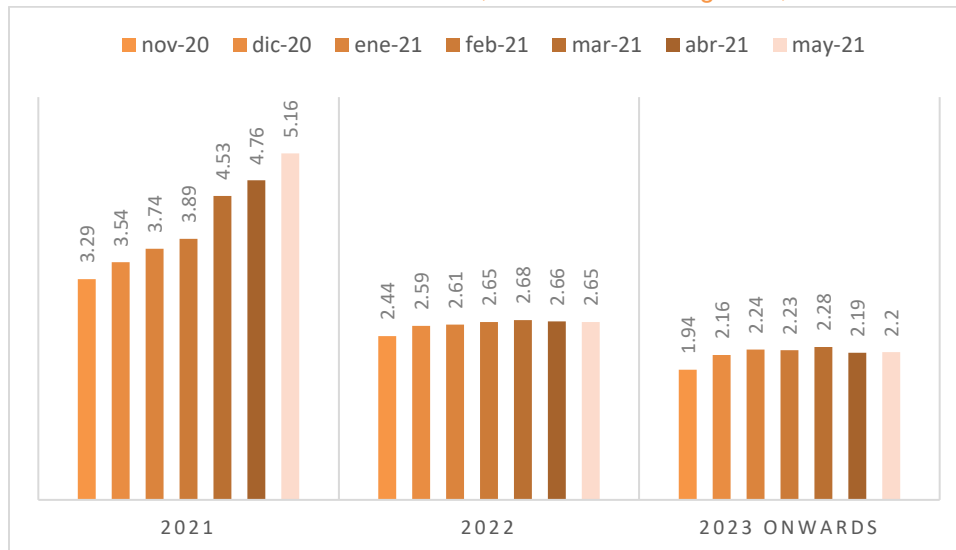
Agency	Last update	Current rating	Outlook	Notches above junk
Moody's	Downgrade (April 17, 2020)	Baa1	Negative	3
Fitch	Downgrade (April 16, 2020)	BBB-	Stable	1
S&P	Downgrade (March 26, 2020)	BBB	Negative	2

Source: Rating agencies.

II.1.2. The impact of COVID-19

- This section discusses COVID-19's short-term direct effect on Mexico's economic performance. The COVID-19 pandemic and the ensuing (partial) lockdown exacerbated Mexico's economic recession, which started in 2019, one year before COVID exploded in Mexico. The Mexican economy contracted by 17.3% in the second quarter of 2020, which represents the sharpest drop on record²². According to the most recent estimate by INEGI (National Institute of Statistics and Geography), the Mexican economy contracted 8.5% in 2020 with respect to the previous year,²³ but is expected to return to a positive growth trend in the following years:

Chart 5
GDP growth expected at time of survey
 Private sector economists' consensus, real annual GDP growth, %



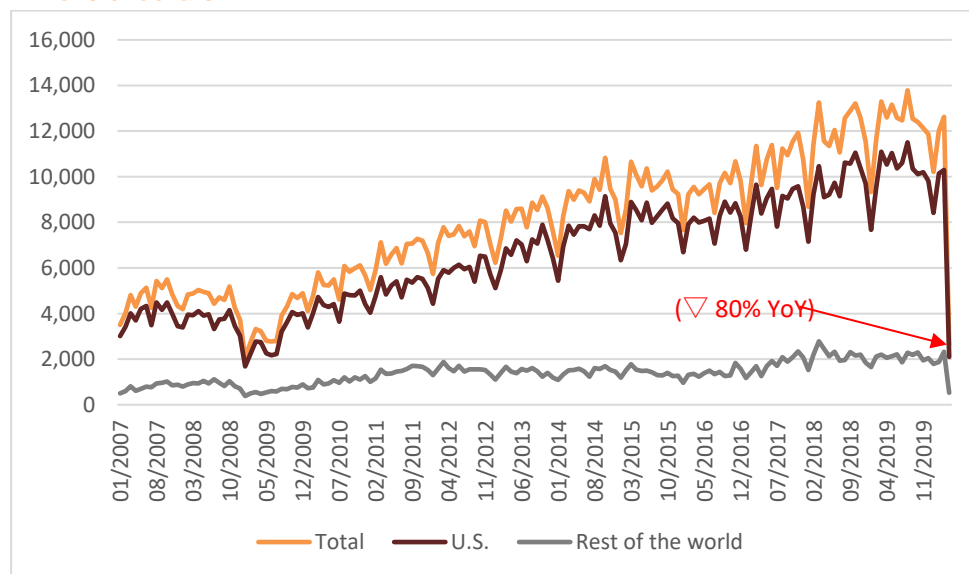
Source: BANXICO, *Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado*.

²² Julio Santaella, INEGI President, statement on Twitter, July 2020.

²³ Source: INEGI, *Estimación Oportuna del Producto Interno Bruto en México Durante el Cuarto Trimestre de 2020*.

14. Mexico went into a complete lockdown of economic activity during April and May 2020, which resulted in a severe disruption of supply chains in North America. This was due primarily to the lack of a coordinated response between Mexico and the US regarding the shutdown of industrial activity in the USMCA region. The Mexican Government issued a list of essential industries that did not match the list of sectors that could continue operating in the United States, and given Mexico's key role as a supplier of many of the top U.S. industrial sectors, cross-border supply chains became compromised.
15. In contrast, there seemed to be closer cooperation between U.S. and Canadian authorities regarding the continuity of production in key industrial sectors, but eventually a hard lockdown of non-essential sectors was put in place throughout North America.
16. The automotive sector was severely affected, leading to a flurry of diplomatic activity by the United States vis a vis Mexico, because automobile and auto parts production were basically shut down beginning on March 23, 2020. Eventually, the Mexican government agreed that the auto sector would be placed on a priority list, and along with construction and mining, it was added to the list of essential industries on May 18 and scheduled for gradual reopening beginning on June 1.

Chart 6
Mexican automotive exports
 Millions of dollars



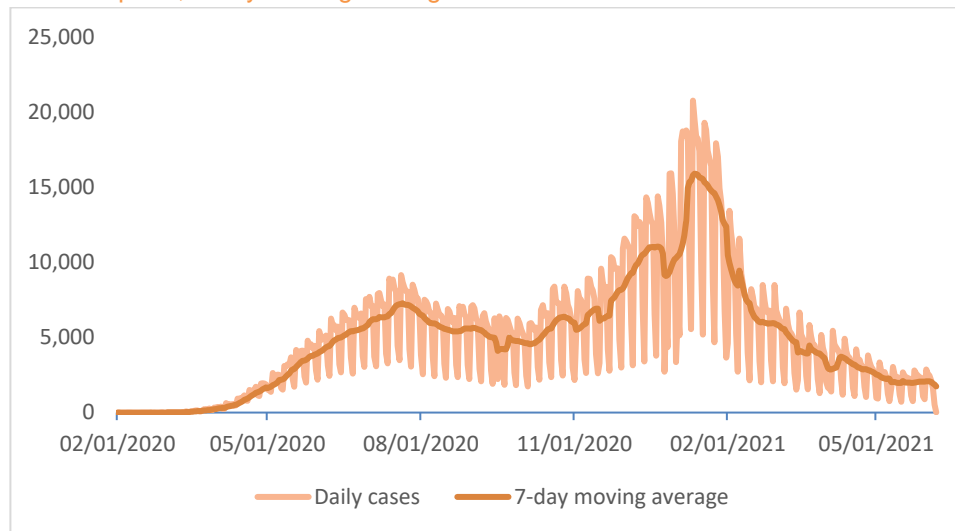
Source: Sistema de Información Comercial Via Internet, SIAVI.

17. After a relatively stable period throughout the summer and early fall, the U.S. and Mexico were hit with a second COVID-19 outbreak which had a greater magnitude than the original wave. Confinement measures had to be re-established, which has had a further negative impact on economic activity, specifically in sectors such as tourism, construction and textiles. However, given the advances in immunization, especially in the US, the indicators for COVID-19 severity seem to be returning to a decreasing trend.

Chart 7

Mexico COVID-19 daily cases

Official reports, 7-day moving average.

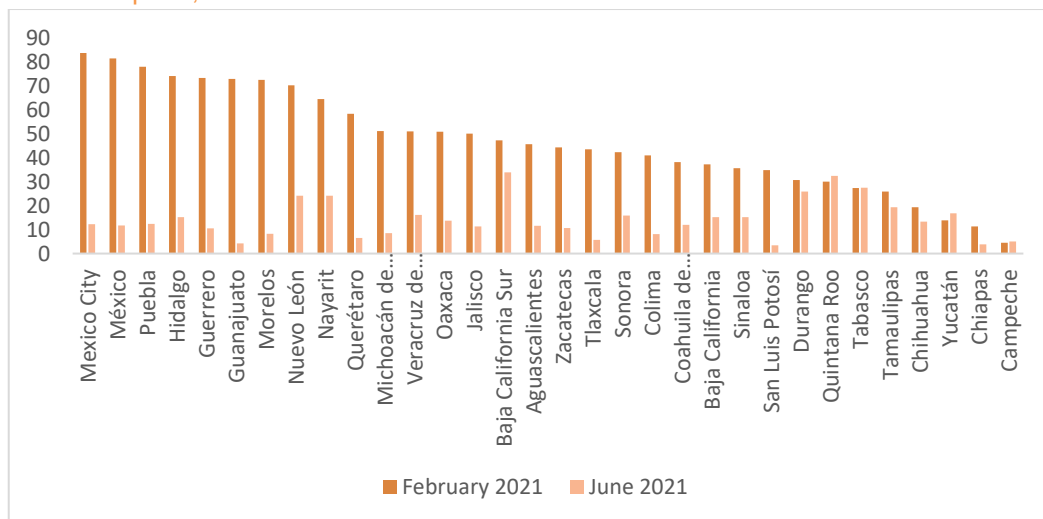


Source: CONACYT, COVID-19 Tablero México.

Chart 8

Mexico hospital occupancy by state, February-June 2021

Official reports, %



Source: CONACYT, COVID-19 Tablero México.

18. The deep economic recession is affecting key areas of the economy:

- Employment:** In Mexico, top-line unemployment numbers seldom tell the full story (among other things due to the large informal sector), so the oft-cited loss of 921,000 formal jobs over the first half of 2020 reported by the Instituto Mexicano del Seguro Social (Mexican Social Security Institute) is incomplete. If one looks at overall employment numbers, in April and May 2020, 20.1 million full-time jobs were lost, partially offset by an increase of 8.4 million in part-time jobs. These unprecedented numbers indicate deep hardship for the population. Nevertheless, over the last months there has been a slight recovery in employment, specifically through a reduction of underemployment and an increase in full employment. Total formal job loss for 2020 amounted to 647,710. In percentage terms, the loss of formal jobs represented a decrease of 3.2% compared to the formal jobs registered in 2019.²⁴ However, one cannot underestimate the potential impact of the second wave of COVID on economic activity and employment for the first two quarters of 2021. As the effects of this next wave of contagions are unfolding the first quarter of 2021 saw a slight recovery in employment, particularly an increase in full-time jobs. Table 2 shows that, while there has been a recovery in employment relative to the more severe levels of mid-2020, employment numbers remain at lower levels than in the first quarter of 2020.

Table 2
Employment and unemployment in Mexico
 Million persons

Variable	Q1 2020	May 2020	Variation May 2020-Q1 2020	Q1 2021	Variation Q1 2021-Q1 2020
Economically active population	57.3	45.5	-20.7%	55.4	-3.4%
Fully employed	50.7	30.5	-39.7%	46.1	-5.14%
Underemployed	4.7	13.0	+178.5%	7.3	+56.24%
Unemployed	2.0	1.9	-3.5%	2.4	+22.1%
Economically inactive population	38.5	50.4	+31.0%	41.6	+8.1%
Available	5.8	19.4	+235.9%	8.4	+44.89%
Unavailable	32.7	31.0	-5.1%	33.2	+1.56%
Total population age 15 and older	95.8	95.9	+0.1%	96.9	+1.2%

Source: INEGI, *Encuesta Nacional de Ocupación y Empleo* (ENOE) for Q1 2020 & Q1 2021 and *Encuesta Telefónica de Ocupación y Empleo* (ETOE) for May 2020.

²⁴ Source: <http://www.imss.gob.mx/prensa/archivo/202101/020>

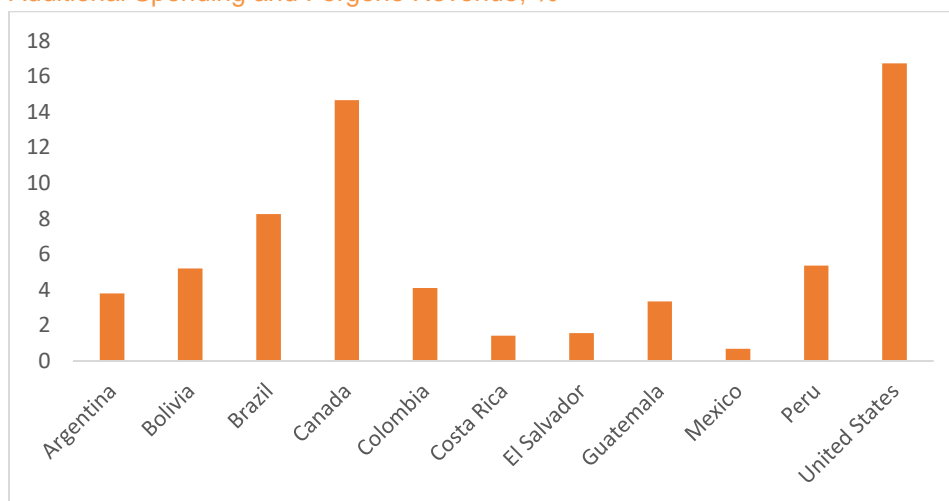
Note: ETOE is INEGI's attempt to continue data gathering under lockdown, and is therefore methodologically not fully compatible with ENOE. However, INEGI itself uses it for comparisons, since it is the best available reference.

- **Public revenue:** Although non-oil government revenues grew by about 3.4 % in 2020 with respect to the previous year, total public revenues were reduced by 4.1 % due to a worsening of Mexico's National Oil Company (PEMEX) performance (-55.6%).²⁵ This has significantly strained the government's ability to finance its activities and expand social programs, which are a central element of the President's agenda.
19. In addition, the Mexican government has provided little or no aid to companies and workers to counteract the negative effects of the pandemic, which deepens the consequences of this phenomenon. In contrast, other developing countries in Latin America such as Brazil and Peru have dedicated the equivalent of approximately 10% of their GDP to economic rescue programs to support employment in small businesses which have been hit hardest during the pandemic. By all measures, Mexico's support programs for small business represent less than 1% of GDP.
20. The support provided by the federal government has been focused mostly on micro-enterprises and to a lesser extent on small and medium-sized companies and consists mainly of granting loans, deferring payment terms for existing loans, and setting up a virtual platform called "Mercado Solidario", for companies to make themselves known and market their products to potential consumers.²⁶

Chart 9

Fiscal response to COVID-19 in the Americas

Additional Spending and Forgone Revenue, %



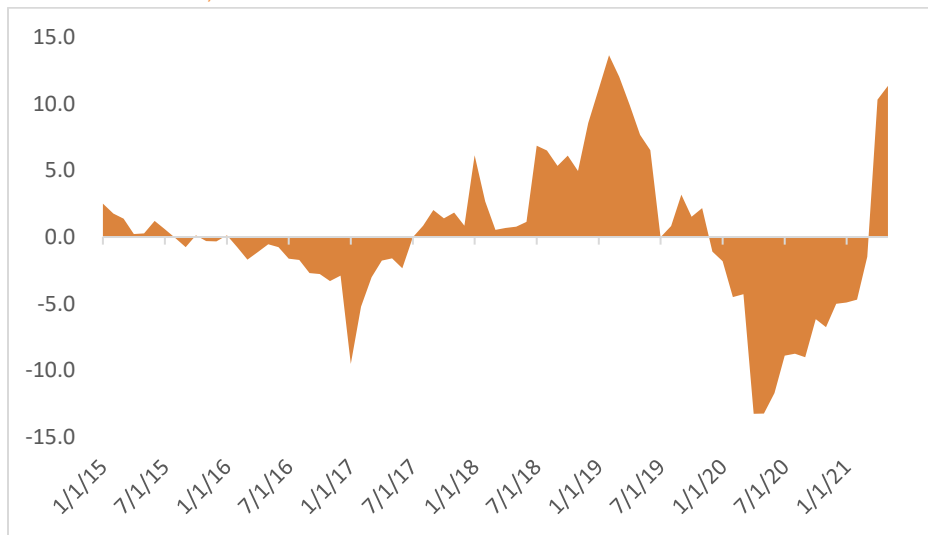
Source: IMF, International Fiscal Monitor January 2021

²⁵ Source: SHCP, *Estadísticas Oportunas de Finanzas Públicas: Ingresos Presupuestarios del Sector Público*.

²⁶ Source: Gobierno de México, *Covid-19 Medidas Económicas* <https://www.gob.mx/covid19medidaseconomicas>

21. Additionally, the escalating recession has stifled consumer confidence, which saw a remarkable rise after the election of President López Obrador and had held up since then despite worsening economic data. However, since the beginning of 2020, consumer confidence has been consistently lower compared to the previous year, which implies a decreased perception of Mexican households about the current and future economic situation. In recent months (April and May) this indicator has seen a slight recovery with respect to the same months of 2020:

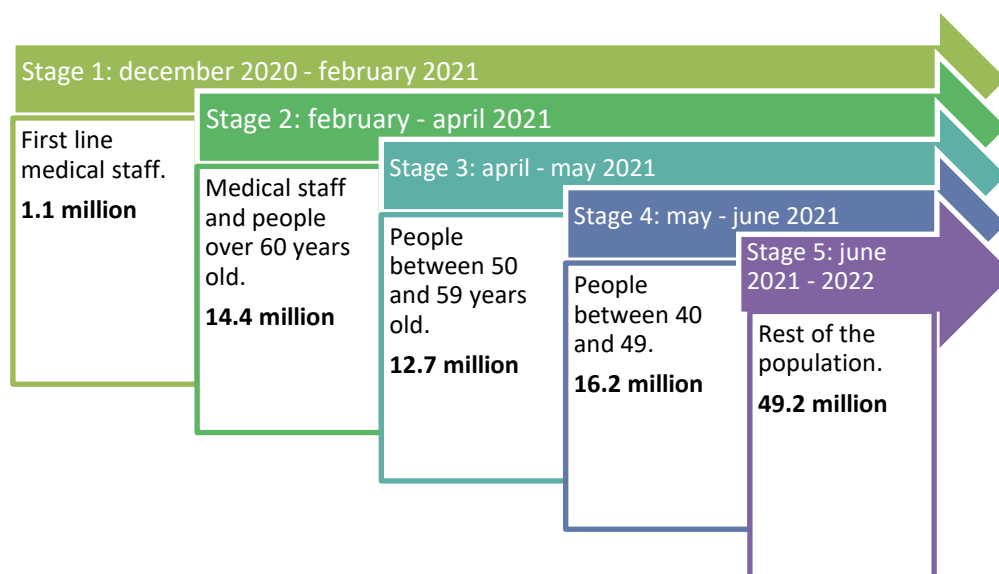
Chart 10
Consumer confidence in Mexico
 Annual variation, %



Source: INEGI, *Confianza del Consumidor*

22. Since late 2020, the Mexican federal government began implementing a National Vaccination Policy against COVID-19, designed to reduce deaths caused by the virus and immunizing 70% of the Mexican population by mid-2022. Four key factors were taken into consideration to define the vaccination stages and priorities: i) age, ii) comorbidities, iii) priority attention groups and iv) pandemic behavior.

Figure 1
Vaccination strategy



Source: Gobierno de México, *Política Nacional de Vacunación contra el Virus SARS-CoV-2, para la Prevención de la COVID-19 en México*, Documento rector.

23. At the outset of the vaccination campaign, the Mexican Government signaled that millions of doses of the Pfizer vaccine would arrive in Mexico throughout December 2020 and January 2021, and that this would allow for the vaccination of the entire senior citizen population within the first two months of 2021. However, due to delays in the delivery of the vaccine doses, the scheduled dates for the COVID-19 vaccination plan experienced delays. As of June 06, Mexico had received and authorized for emergency use the following five vaccines: Pfizer (16.1 million doses), AstraZeneca (11.2 million doses), Sinovac (8 million doses), Sputnik (3.4 million doses) and CanSino (4.6 million doses) of which approximately 34.6 million doses have been administered and 14.2 million people have been fully vaccinated.²⁷

II.1.3. Macroeconomic stability and USMCA

24. Two areas stand out in economic policy over the past year and a half:
- **Macroeconomic stability:** In the two traditional spheres, fiscal and monetary policy, the López Obrador Administration has shown restrained and austere instincts. The President has repeatedly manifested his opposition to deficit spending and debt increases (the drastic austerity measures imposed on the public sector are partially a reflection of the attempt to uphold this commitment in the face

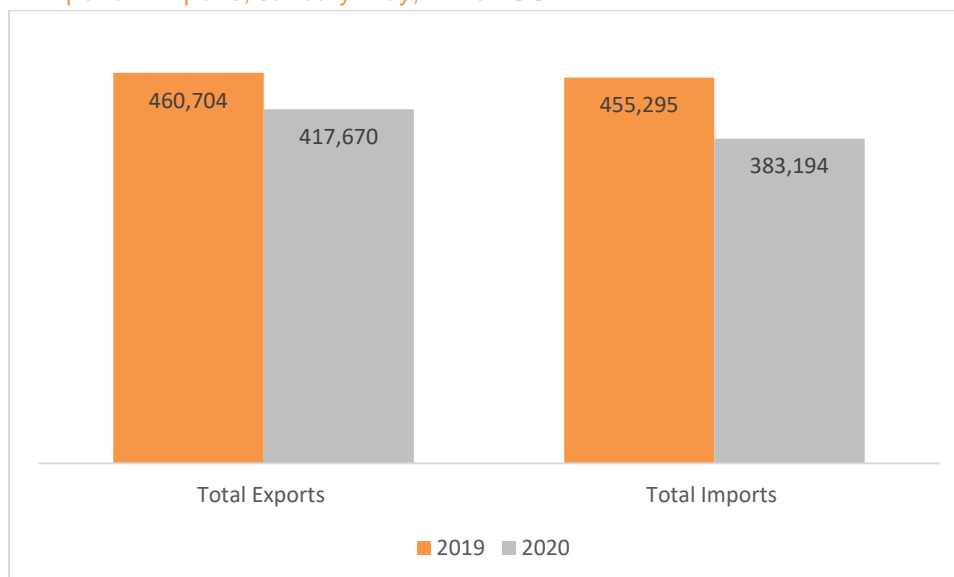
²⁷ Informe diario por coronavirus en México, 07 de junio de 2021

of diminishing revenue). The Administration has also largely avoided putting pressure on BANXICO, the independent central bank responsible for controlling inflation. However, the party in power (MORENA) has sought to reform the Law of the Banco de México (BANXICO), by forcing the Central Bank to absorb the foreign currency surpluses of Mexican commercial banks and incorporate them into the international reserves, which could jeopardize BANXICO's autonomy and could affect macroeconomic stability.

Both features have yet to be fully tested: in the context of recession, BANXICO has been able to lower interest rates from 8.25% in December 2018 to 4.55% in December 2020 even while holding inflation in check, so conflicts over monetary policy would probably have been avoided by any Administration. On the other hand, the commitment to a balanced budget could lead to a slower economic recovery (countercyclical spending during COVID-19 having been extremely limited) so the temptation to incur a deficit will only grow in the near future.

- **Commitment to USMCA and free trade:** Imports contracted by almost 16% and exports contracted by almost 10% due to the COVID-19-induced closing of borders, industries and supply chains starting in March 2020.

Chart 11
Mexican trade with the world
Exports + imports, January-May, Million USD



Source: INEGI, *Balanza Comercial de Mercancías de México*.

However, the USMCA has consistently been treated as a priority by the Mexican government, starting with full support for the outgoing team during the final stage

of the original negotiation during the 2018 transition period, continuing with renegotiations (entailing new Mexican concessions, for example on labor) in 2019 and culminating with President López Obrador's visit to Washington on July 7-9, 2020, his only foreign trip to date as President.

Because of this, the U.S. government has been one of the checks on Mexican economic policy, with U.S. trade officials repeatedly interceding on behalf of U.S. companies' interests, and arguments invoking USMCA emerging as an effective tool to sway policy and legislative debate.

Evidence of the above is that in the first quarter of 2021 Mexico ranked as the top trading partner of the United States with a record 153 billion dollars exchanged between the two countries. This was equivalent to 14.8% of U.S. total trade during that period and is 4.1% higher than the amount reported for the first quarter of 2020.²⁸

The USMCA therefore is a key lever for Mexican economic policy going forward, and -as discussed in sections II and III of this document- should also be central to Mexico's opportunities to eventually resume growth in the complex environment described above.

II.1.4. USMCA: The modernization of NAFTA

25. In the context of a more unconventional and nationalistic U.S. trade policy under the Trump administration, the USMCA -freshly passed by both Houses of the U.S. Congress with overwhelming bipartisan support²⁹ provides one of the few areas of certainty for companies worldwide (very much including the U.S.) on the future shape of U.S. and North American trade rules.
26. Maybe the biggest contrast to the certainty of USMCA is the (current and future) U.S.-China trade relationship. It is hard to envision a quick (or even longer-term) return to normal with so much -economically, politically and geopolitically- at stake for the U.S. This means that the model of global supply chains with a heavy weighting of Chinese manufacturing and relatively smooth entry into the U.S. will likely continue to face the strain of uncertainty and periodic disruption.

²⁸ Available at: <https://www.elfinanciero.com.mx/economia/2021/05/04/comercio-entre-mexico-y-eu-registra-su-mejor-mes-de-la-historia/>

²⁹ The House of Representatives passed USMCA on December 19, 2019, by 385 (193 Democrats, 192 Republicans) to 41 (38 Democrats, 2 Republicans, 1 Independent). The Senate followed suit on January 16, 2020, by 89 (38 Democrats, 51 Republicans) to 10 (8 Democrats, 1 Republican, 1 Independent).

27. This trade dynamic arguably provides a significant opportunity for Mexico to bolster its place as a privileged location for manufacturing for the U.S. market, thus routing more global supply chains through Mexico and attracting additional investment from all over the world.

II.2. COVID-19 will reshape government policy and economic structure for years to come

28. The trends discussed in section I.1, Mexican economic downturn--are exacerbated by the economic and policy shock brought about by the COVID-19 pandemic and the ensuing lockdown.
29. In an April 2020 article titled *The future is not what it used to be: Thoughts on the shape of the next normal*³⁰, global strategy consulting firm McKinsey & Company looks at the COVID-19 crisis through the lens of crises past, as well as recent political/regulatory, economic and business trends, to outline seven likely elements of the 'new normal' to be expected after the immediate health crisis has abated. Of these, three are immediately related to the regulatory environment and industry structure:³¹
 - a) **Distance is back:** There is a real possibility of COVID-19 border closures lingering beyond the health emergency stage, in the shape of "*more border restrictions, a greater preference for local over global products and services, the need for resilience across supply chains driving a move to bring sourcing closer to end markets, and perhaps renewed resistance to globalization*".
 - b) **More government intervention in the economy:** After imposing a degree of intervention not seen for many years, "*at some point, governments may decide to get out of the business of business; how they do so will be complicated and differentiated. [...] The implications for the role of the state will materially affect the way business is conducted; business leaders in many more sectors will have to adjust to the next normal of greater government intervention.*"

³⁰ Available at <https://www.mckinsey.com/featured-insights/leadership/the-future-is-not-what-it-used-to-be-thoughts-on-the-shape-of-the-next-normal>.

³¹ The rest (*Resilience and efficiency, The rise of the contact-free economy, More scrutiny for business and Finding silver linings*) address more immediate business concerns related to business and organizational models, operations and corporate social responsibility.

- c) **Changing industry structures, consumer behavior, market positions, and sector attractiveness:** Shifts in consumer attitudes and business operations have been deep during these months and will probably fade only gradually. *“Given the intensity of these pressures, it is reasonable to question whether existing market positions will be retained without significant effort to reposition and respond to changes confronting industries and sectors as a whole.”*

30. Other global strategy consulting firms have made similar projections:

Figure 2

Global strategy consulting firms’ assessment of post-COVID business climate



Source:McKinsey & Company, *The future is not what it used to be: Thoughts on the shape of the next normal*, available at <https://www.mckinsey.com/featured-insights/leadership/the-future-is-not-what-it-used-to-be-thoughts-on-the-shape-of-the-next-normal>.

Bain & Company, *Managing Trade-offs: Prediction, Adaptability and Resilience*, available at <https://www.bain.com/insights/managing-trade-offs-prediction-adaptability-resilience-fm-blog/>

Kearney Global Business Policy Council, *After the storm: Global Economic Outlook 2020–2022*, available at <https://www.tr.kearney.com/web/global-business-policy-council/article/?/a/after-the-storm>

31. These three broad global trends of international trade reconfiguration, increased government intervention and structural change in industries and markets add saliency to the challenges and opportunities for business inherent to the complex current economic situation in Mexico and the continued protectionist pressures in the US.

III. THE USMCA HAS THE POTENTIAL TO TAKE NAFTA'S CENTRAL PLACE IN MEXICO'S GROWTH AND MODERNIZATION

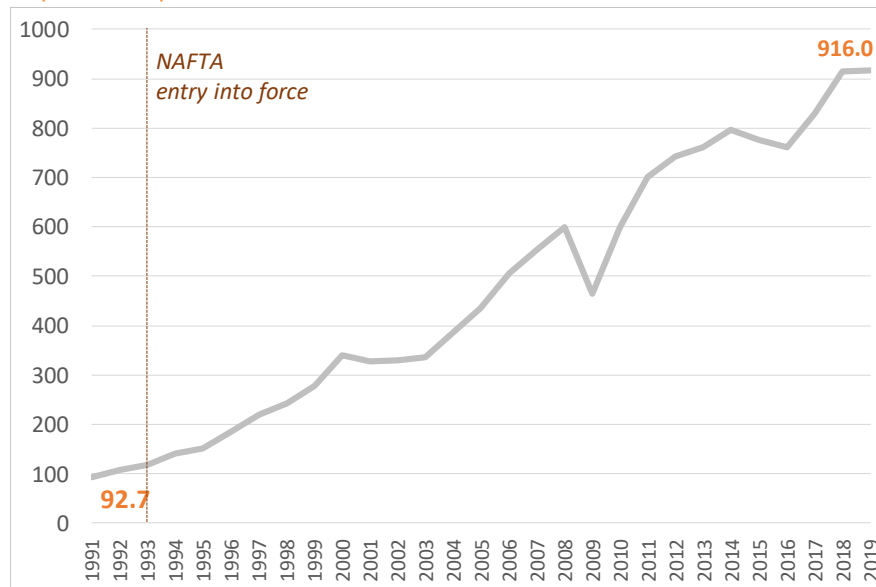
32. Despite a very inauspicious start, the -USMCA turned out to be a positive evolution of NAFTA, preserving its substantial benefits and projecting it to the future.
33. Part III of this report will look at NAFTA's crucial role in Mexico's modernization over the past 25 years, significant obstacles to achieve a positive USMCA, and the positive end result of a very complex negotiation. Our overall analysis confirms that USMCA has the potential to significantly boost Mexico's economic performance if it is joined by sound domestic economic policy.

III.1. NAFTA and North American Trade, were in need of an update

III.1.1.NAFTA as the cornerstone of Mexico's economic modernization

34. There is no doubt that the North American Free Trade Agreement (NAFTA), which came into effect in 1994, has been one of the most important instruments for the modernization of the Mexican economy over the last 25 years. Mexico went from being one of the most closed economies in the world, and the poster child for protectionist import-substitution policies in the 1960s and 70s, to becoming one of the world's leading exporters. In 2018, Mexican trade was equivalent to 65% of Mexico's GDP, and trade with the United States, Mexico's #1 trading partner and the recipient of 80% of Mexico's exports to the world, grew tenfold in the period covering 1993 to 2018.

Chart 12
Mexican trade with the world
 Exports + imports, billion USD

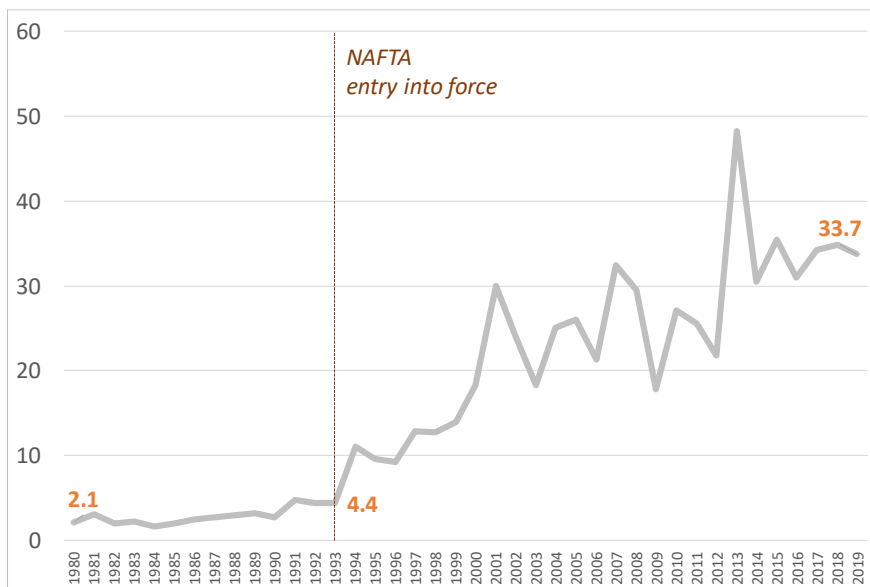


Source: INEGI, *Balanza Comercial de Mercancías de México*

35. NAFTA revolutionized the Mexican economy, not only by reducing tariffs and eliminating technical barriers to trade, which led to a rapid increase in trade with the U.S. and Canada. In addition to the ambitious objective of eliminating all tariffs between Mexico and the U.S., and most tariffs with Canada with the exception of a few agricultural products, NAFTA's long term contribution to the Mexican economy was the establishment of trade rules in key areas of the economy such as investment, agriculture, competition/antitrust, intellectual property, customs procedures, rules of origin, telecommunications, government procurement, cross-border trade in services, and many others, that changed the domestic legal and regulatory landscape in Mexico.
36. Along with the entry into effect of NAFTA came a series of legislative initiatives that modernized the Mexican regulatory framework, in many instances by creating new institutions and government agencies that were needed to properly implement the new commitments established in the NAFTA. A few examples include the creation of the Federal Competition Commission (COFECO, which later evolved into COFECE), and the Mexican Institute for Industrial Property (IMPI).
37. Perhaps the largest benefit that NAFTA brought to the Mexican economy was the establishment of transparent and predictable trade rules that provided legal certainty for producers, exporters, and international investors. This explains in large part the great influx of Foreign Direct Investment (FDI) into Mexico, beginning

in 1994. Prior to the entry into effect of NAFTA, Mexico received an average of \$2 Billion USD in FDI annually, but by 2018 this figure had grown to almost \$35B USD per year.

Chart 13
Foreign direct investment in Mexico
 Billion USD



Source: Secretaría de Economía, *Información estadística histórica de los flujos de IED hacia México por entidad federativa de 1989 a 1998* and *Información estadística general de flujos de IED hacia México desde 1999*.

III.1.2. The long-term need for NAFTA modernization

38. Despite -or even because of- its success, an upgrade to our regional trade regime had to come at some point, which is something that the three North American Governments had recognized for years. President Obama, while campaigning for his first term in 2008, pledged to renegotiate NAFTA and emphasized many of the same arguments that Democrats had been using against NAFTA since the early 90s: that NAFTA only benefitted large multinationals and left out small entrepreneurs; and that it did not engage seriously on key social aspects that were intricately related to economic life and to globalization, such as labor and the environment.
39. The truth beyond this political rhetoric was that the North American countries had gone through such a difficult political battle to approve the original NAFTA, that for

many years the mere mention of reviewing its implementation or suggesting any modifications created a shudder among high level officials in all three countries.

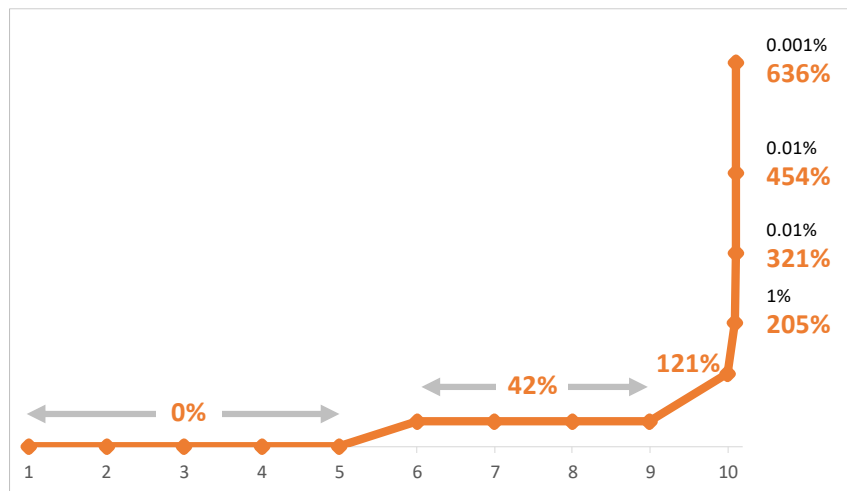
40. However, by the second decade of the 21st Century it became evident that NAFTA needed to be upgraded, and that is why Mexico, Canada, and the U.S., pursue engagement in the TransPacific Partnership negotiations (TPP) to open markets for North American products in Asia-Pacific, and also to bring much needed oxygen to NAFTA by creating new disciplines that had by now become mainstays of the global economy.

41. From a political perspective, at least in the United States, NAFTA had become a political lightning rod despite its economic benefits, and the strategy of having negotiated and implemented NAFTA and then quietly thrown away the key was no longer sustainable. This was exacerbated by the fact that in the Post-9/11 world, the citizens of the developed world, whose parents and grandparents wholeheartedly embraced free markets and the postwar world order brought about by the Bretton Woods institutions, had become increasingly disillusioned with globalization. For the first time since World War II, the middle classes in Europe, Canada, the United States, and other countries had lost hope that they would be able to achieve a more prosperous and fulfilled lives than their parents. Proof of this is the increasing income inequality in the U.S., as the income growth of the richest 1% has been drastically higher than that of the other 99%

Chart 14

Pre-tax income growth in the U.S. by income decile ³²

Accumulated 1980-2014



Source: Piketty, Saez & Zucman (2016).

³² *Distributional National Accounts: Methods and estimates for the United States*, NBER working paper 22945 Available at <http://piketty.pse.ens.fr/files/PSZ2016.pdf>

III.1.3.NAFTA in crisis

42. In North America, Donald Trump, first as a candidate and later as U.S. President, came to embody this disillusionment with globalization. Trump found success in transforming the vague, often intangible, but real anger of a lower middle class that was losing faith in the American Dream, into a condemnation of some very tangible alleged culprits, including free trade agreements.
43. Trump's victory in the 2016 U.S. election generated enormous political turbulence in Mexico. In a matter of months, Mexico went from working on modernizing NAFTA through the participation of all three North American countries in the Trans-Pacific Partnership negotiations (TPP), to fighting for the survival of its most important trade agreement.

III.2. The USMCA was achieved in very difficult circumstances

III.2.1. NAFTA or USMCA? That is the wrong question

44. The question often arises as to whether the USMCA is a better or worse agreement than NAFTA, and whether North America would have been better off keeping the NAFTA in place. However, it makes more sense to look at the USMCA as the evolution of NAFTA, one that reflected the changing times in the economic and political landscape of North America, as well as the fundamental changes in civil society that occurred in the last quarter-century.
45. Given the political realities in the North American region, especially in the United States, the real choice in 2017 was between building a new NAFTA (what eventually became USMCA) or having no NAFTA at all. Before the USMCA negotiation began, and for many months afterwards, President Trump repeatedly threatened to pull out of NAFTA, but was eventually persuaded to pursue negotiations over withdrawal.

III.2.2.An inauspicious starting point for the USMCA negotiation

46. For reasons of time and space, this paper will not present an exhaustive account of all the elements that were discussed throughout the USMCA negotiation, but it is important to understand the backdrop against which the process occurred.

47. The negotiation of the new U.S.-Mexico-Canada Free Trade Agreement (USMCA) was very complex, because the U.S. came to the table with a very different approach than the one that the three North American countries had in the original NAFTA negotiation. In the early 1990s, Mexico, Canada, and the U.S. agreed that creating a free trade zone in the region would bring great economic benefits to all three countries. In 2017, the main premise by the United States was that the NAFTA had caused enormous damage to the U.S. economy.

III.3. The USMCA preserves NAFTA's benefits and brings the agreement up to date

48. In spite of the opening positions of the Trump Administration, which were driven by a mercantilist approach to trade and whose goal was to reduce imports into the U.S., the USMCA builds on NAFTA, first by preserving free trade in our region and guaranteeing legal certainty for regional trade, and second through the modernization chapters that will be described briefly in this section.

III.3.1. NAFTA's benefits preserved

49. After a long 15 months of negotiations that lasted from August 2017 until November 2018, the USMCA was finally signed on November 30 by Mexico, Canada, and the United States, at the margins of the G20 Meeting in Buenos Aires, Argentina. The USMCA is a balanced agreement for all three countries, and the four main objectives were ultimately accomplished:

- e) ***Preserving Free Trade:*** No tariffs, quantitative restrictions or other managed trade mechanisms were included in the USMCA, thus maintaining full free trade across the board, with the exception of certain Canadian agricultural products, and products from any of the three countries that are subject to Antidumping or Countervailing Duties.
- f) ***Modernizing the Agreement:*** NAFTA accomplished the goal of increasing trade and investment in the region, but despite its success, it was an old agreement (25 years old), and it was necessary to upgrade it with disciplines which are essential for today's globalized economy. Some of these did not even exist when the original NAFTA was negotiated, such as digital trade. Other "modernization" chapters include Competitiveness, Good Regulatory Practices, and State-Owned Enterprises, among others.
- g) ***Making the Agreement more inclusive and responsible:*** A series of "socially oriented" disciplines were added, with the goal of spreading the benefits of Free

Trade to all sectors of the North American population. The Labor and Environmental Side-Agreements were modified to include new commitments and obligations, and were incorporated into the agreement as stand-alone chapters, subject to dispute settlement, just as any other chapter. In other words, they were given “teeth”. In addition, new chapters were added to help small and medium enterprises (SMEs) take advantage of the USMCA, as well as a chapter on Anticorruption which was actively promoted by the Mexican private sector.

- h) Preserving NAFTA’s Dispute Settlement Mechanisms:** The new USMCA preserves and improves the three main mechanisms to solve conflicts in the agreement: 1) The State-State dispute resolution mechanism enshrined in Chapter 31; 2) The Investor-State dispute system included in Chapter 14; 3) and the mechanism that allows private parties to challenge decisions taken by investigative authorities from USMCA members on antidumping and countervailing duties.³³

III.3.2.NAFTA modernized

50. Under USMCA automotive rules of origin were tightened in a way that will lead to a higher regional content in the manufacture of vehicles in the region, something that Mexican auto parts producers welcome, while ensuring that the new rules will not be so excessively onerous as to cause disinvestment in the region. Mexico and Canada were also able to secure “insurance policies” against any attempts by the U.S. to unilaterally raise automotive tariffs, either by violating its WTO commitments or by imposing national security measures. On the other hand, the U.S. was able to accomplish one of its main goals, which was to ensure that tariff-free treatment for automotive sector trade be limited to the three USMCA partners, by limiting “free-riding” from other regions who would previously benefit from exporting automotive components into North America that would be considered as originating in the NAFTA region. In addition, the U.S. was able to address the allegation by American unions that Mexico held an unfair advantage in having lower wages in the automotive sector than the US. This was done through a complex technical negotiation that established a Labor Value Content (LVC) requirement in the automotive rules of origin, which states that 40% of the value of a North American vehicle must come from regions that pay wages of \$16 USD/hour or higher.
51. **Trade facilitation** is another distinctive feature of the USMCA, and the new Customs Procedures Chapter is a great improvement over NAFTA and goes beyond the much-acclaimed Multilateral Trade Facilitation Agreement (TFA) that

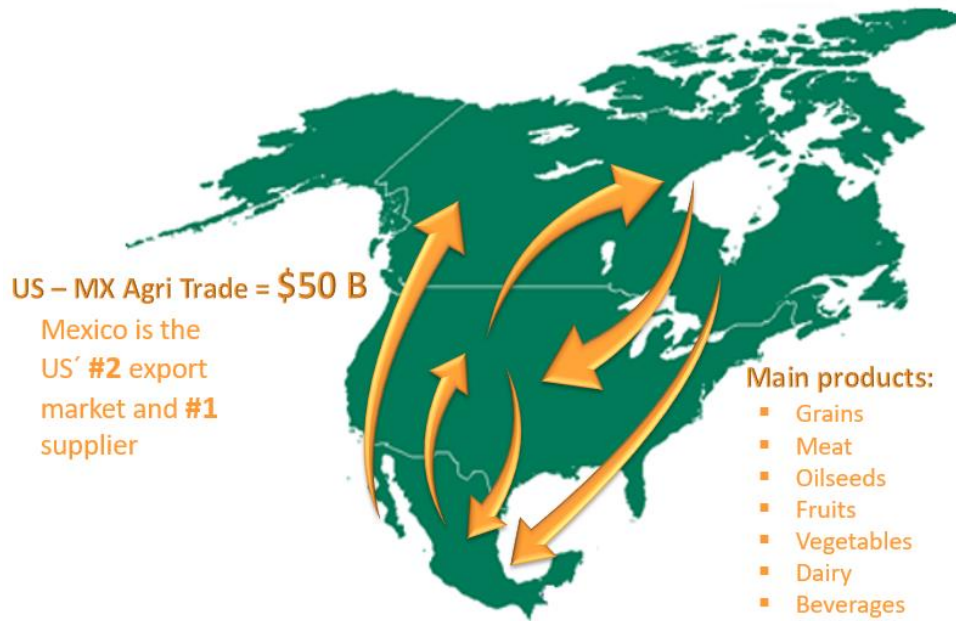
³³ 1) State-State Dispute Settlement; 2) Investor-State Dispute Settlement; 3) Trade Remedies Dispute Settlement for AD/CVD cases

was negotiated in the World Trade Organization (WTO) a few years prior to USMCA. It is also an improvement over the customs procedures that were negotiated in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). It makes sense for the USMCA customs provisions to be the most advanced in the world, given the fact that the North American countries have two of the largest and busiest land borders in the world. By introducing mechanisms to streamline customs inspections, improve and expand the operation of fast-track export lanes, and take advantage of information technologies to reduce paperwork at the border, the USMCA will have a tangible impact on the competitiveness of North American exporters.

52. The USMCA includes provisions that encourage the use and adoption of **new technologies** and that promote and protect **innovation**. This is accomplished through a new Chapter on Digital Trade, and through the upgrade of the Intellectual Property Chapter. The USMCA establishes commitments aimed at facilitating digital trade, such as the prohibition to impose tariffs on electronic transactions or requiring that computer servers be located in the countries where the sale and consumption of the products/services takes place. These provisions are important because they reduce the costs associated with electronic commerce and digital services and allow small entrepreneurs to take advantage of information technologies in order to have access to millions of potential consumers in North America without having to make costly investments in physical stores and the development of traditional commercial channels. On intellectual property, the USMCA introduces new protections that reflect the progress of the discipline over the last twenty-five years, from the protection of patents, copyrights, to geographic indications, and combatting intellectual property piracy and theft.
53. The USMCA strengthens already existing disciplines to ensure that **technical regulations** will not be used to erect trade barriers. The Parties to the agreement agreed that technical regulations for manufacturing, as well as sanitary and phytosanitary measures in the agricultural sector, shall be crafted in accordance with recognized international standards, and will always be science-based. This reduces the discretionary powers of regulators to manipulate technical regulations in order to deny market access to products from the USMCA countries.
54. One of the most important success stories of the original NAFTA is the exponential growth of **agricultural trade** in North America, especially between Mexico and the United States. Bilateral agricultural trade increased from approximately \$8 billion USD in 1993, one year before NAFTA came into effect, to nearly \$50 billion USD in 2019. The U.S. exported over \$19 billion USD in agricultural products in 2019,

with the main product categories as follows: grains 21%, meat 17%, oilseeds 12%, and dairy 7%. On the other hand, Mexico exported nearly \$31 billion USD in agricultural products to the U.S., primarily in the following categories: fruits 26%, vegetables 22%, beverages 19%, and sweeteners 5%.

Chart 15
Agricultural trade US-Mexico
 USD, 2019



Source: USDOC Statistics. Agricultural products include chapters 1 – 24 HS

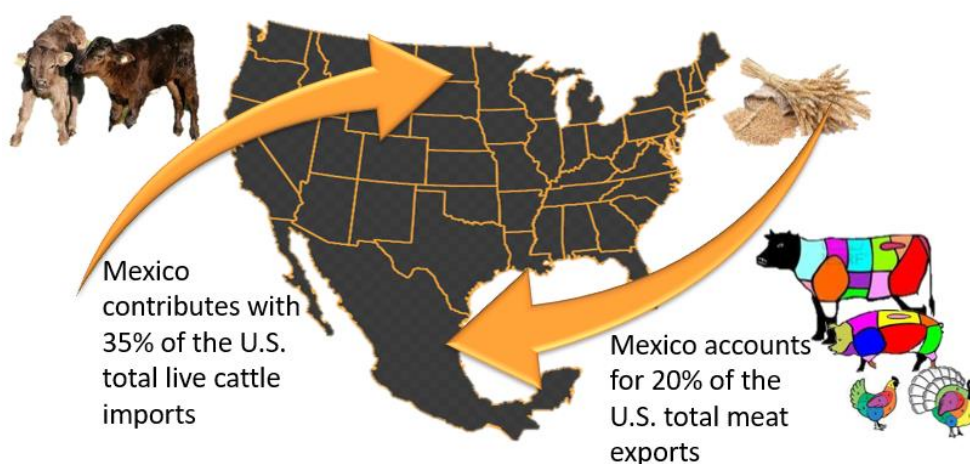
55. One of the main reasons for the dramatic growth in bilateral agricultural trade has to do with the natural complementarity in the agricultural sectors of Mexico and the U.S. The U.S. benefits from important competitive advantages in the production of grains, oilseeds, cereals, and cattle, because of its large, fertile land extensions with temperate weather, combined with ample access to water, mechanization, and financing for the rural economy. Mexico, in turn, has the ability to grow fresh fruits and vegetables year-round, which allows it to satisfy the growing demand in the United States.
56. As a result of this complementarity, free trade between Mexico and the U.S. has led to a significant increase in economic integration in the agricultural sector. For example, in the meat sector, the U.S. exports \$6.5 billion USD in grains, oilseeds and animal feed to Mexico, and Mexico produces cattle, hogs and poultry. Mexico in turn exports almost \$800 million of bovine calves to the U.S. and imports \$3 billion USD in meat and poultry products from the U.S. While Mexico accounts for

35% of U.S. total live cattle imports, it also accounts for over 20% of total U.S. exports of meat to the world.

Chart 16

Economic integration in the meat sector

Total trade US-MX, 2019



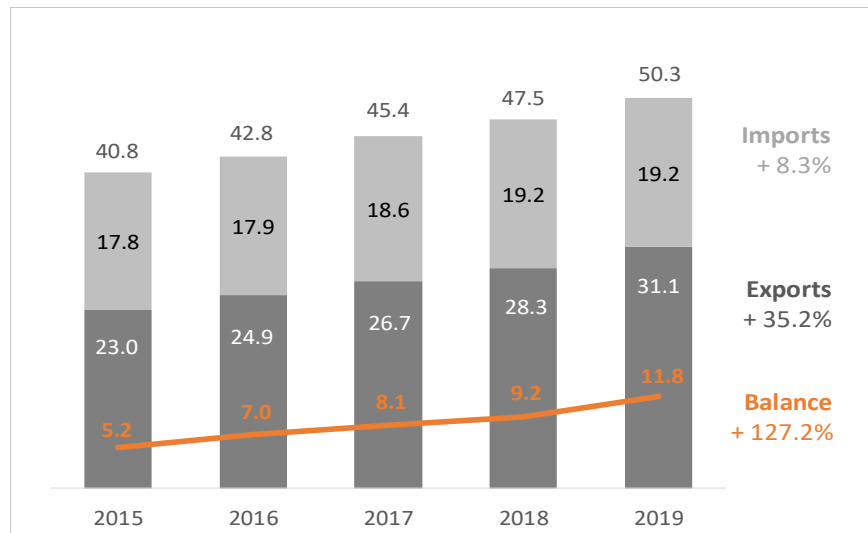
Source: SE-Washington with data from Wisertrade.

57. When NAFTA was originally negotiated, one of the biggest concerns in Mexico was whether Mexican **agriculture** would be able to compete with a better financed and technologically advanced agricultural sector in the U.S. As was previously mentioned, after 25 years of NAFTA, it is evident that the growth in bilateral agricultural trade is one of the biggest success stories of the Agreement.

Chart 17

US-Mexico agricultural trade 2015-2019

Billion US\$



Source: USDA with data from USDOC and U.S. Census Bureau, *Global Agricultural Trade System Online (H56)*

58. The USMCA builds upon 25 years of successful agricultural trade between the three North American partners, by preserving free trade across all products traded between Mexico and the U.S. and expanding access to the Canadian market in sectors where Canada has traditionally maintained import restrictions, such as dairy and poultry³⁴. In addition to tariff-free treatment between Mexico and the U.S., the USMCA modernized provisions on **sanitary and phytosanitary measures (SPS)**³⁵ in order to ensure that such regulations are established in a transparent manner, are science-based, and are not used to erect technical barriers to trade. In the USMCA, plant, animal, and human health are protected as priorities for all three countries, while facilitating agricultural trade. In addition, the Agricultural Chapter of the USMCA was modernized through the addition of a section on cooperation on **agricultural biotechnology**, a key component to increase the productivity of North American Agriculture.³⁶
59. Since signing USMCA the United States and Mexico have seen a substantial erosion of the trade relationship in the food & agriculture sector. Specifically, Mexico's lack of biotech approvals, Mexico Decree banning glyphosate and more recently GM corn, restricted U.S. potato imports, while the U.S. launched multiple investigations into seasonal produce imports on several products. Resolving such

³⁴ Office of the United States Trade Representative. Available at: <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/fact-sheets/strengthening>

³⁵https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/09_Sanitary_and_Phytosanitary_Measures.pdf

³⁶ https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/03_Agriculture.pdf

trade irritants in the bilateral food and agriculture trade relationship will require political will and strong adherence to USMCA commitments.

60. One of the most important modernization elements of the USMCA vs NAFTA was the inclusion of the **energy sector**, through the consolidation of Mexico's energy reform from 2013, which for the first time since the nationalization of the oil and gas industry (1938) and the electric power industry (1960), allows for private sector investment in the energy sector. NAFTA's energy chapter essentially excluded Mexico's energy sector from the free trade and investment rules that were established in the Agreement, in accordance with the constitutional restrictions that were in effect when the agreement was negotiated (1992-1993).
61. The USMCA establishes the commitment on the part of Mexico to guarantee that the level of access for private firms from Canada and the United States that was granted by the energy reform cannot be rolled back. Article 32.11 of the USMCA establishes that Mexico cannot establish measures in the energy sector that are more restrictive than the concessions given to the countries that are members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). CPTPP incorporates the opening to private investment in Mexico that was granted through the 2013 energy reform, in key areas such as import and export of hydrocarbons and natural gas; generation and commercialization of electric power; petrochemicals; and the possibility of establishing and operating privately-owned gas stations, among others.
62. It is important to understand that despite the fact that the USMCA's energy chapter states that the natural resources on energy in Mexico belong to the State, and that Mexico retains the sovereign right to modify its constitution, this cannot be read separately from the rest of the agreement, which is guided by a basic principle: any constitutional or other legal and regulatory modifications made by a Party to the USMCA must be compatible with the commitments made thereunder. Therefore, the USMCA has a built-in mechanism whereby Mexico may continue to open its energy sector, if it decides to do so, and that new opening would automatically be incorporated into the USMCA. However, it cannot backtrack on the minimum level of access that was in effect at the time when the USMCA went into effect.
63. As was mentioned, one of the key objectives of all three countries during the USMCA negotiations was to turn the NAFTA (and future trade agreements) into more responsible and sustainable public policy instruments. The **labor and environment** side-agreements of the NAFTA were substituted by independent chapters that include new protections for workers and that promote environmental

conservation. In the labor chapter, in addition to reiterating the NAFTA commitments to combat all forms of forced and child labor, new rules are set out to prohibit any form of discrimination and violence in the workplace. Most importantly, Annex 23-A of the labor chapter establishes the commitment to strengthen union democracy, by ensuring the worker's right to collective bargaining, and, by guaranteeing that all collective bargaining agreements are truly representative of workers and ensuring that free and secret votes are conducted in order to approve such bargaining agreements. Annex 23-A also establishes the commitment to ensure transparent procedures for the election of union leaders. The commitments on union democracy are in line with the labor reform that Mexico approved just as the USMCA was being negotiated and signed.

64. The **labor** chapter includes a new "Rapid Response Labor Mechanism" for solving disputes related to union democracy violations, which could in essence impose trade restrictions on companies that are found by an arbitration panel to be in violation of USMCA commitments. This means that companies need to pay particular attention to their engagement with the unions that operate in their manufacturing facilities and ensure that the worker's rights to organize are fully respected. The USMCA has the most far-reaching labor provisions of any trade agreement.³⁷
65. On the **environment**, the USMCA countries committed to promote mutually supportive trade and environmental policies and practices, and to provide effective enforcement of environmental laws. The USMCA includes commitments to implement key multilateral environmental agreements, as well as taking actions to combat trafficking in timber, fish, and other wildlife. For the first time in a U.S. trade agreement, the USMCA addresses key environmental issues such as air quality and marine litter.³⁸

III.4. The USMCA can be a powerful tool for post-COVID economic recovery

III.4.1. Reestablishing supply chains in the wake of COVID-19

66. During the meeting between President Andrés Manuel López Obrador and President Donald Trump that took place in Washington, DC in July 2020, both leaders touted the benefits that the USMCA will bring to the North American region. López Obrador has continuously referred to the USMCA as a key instrument for economic recovery for Mexico, and Trump said that the USMCA signals the start

³⁷ <https://www.dol.gov/agencies/ilab/our-work/trade/labor-rights-usmca>

³⁸ https://ustr.gov/sites/default/files/IssueAreas/Environment/USMCA_Environment_Chapter_24.pdf

of a new relationship between Canada, Mexico, and the U.S., that will bring prosperity to all three countries.

67. Despite its innovative provisions and the legal certainty that the USMCA will bring to North America, it must understand that the economic benefits of the USMCA will not be felt immediately. This is due to the enormous economic crisis that is affecting our region, and the rest of the world, caused by the COVID-19 pandemic and the resulting economic downturn of most productive activities.
68. As it was mentioned, the shutdown of most productive activities led to a severe disruption in the supply chains of the region. In a way, the USMCA countries became victims of their own success, because over the years NAFTA promoted a high degree of economic integration between Mexico, Canada, and the U.S., with industrial components going back and forth across borders before winding up in a final product. This allowed North American companies to reduce costs and increase the competitiveness of their exports. Unfortunately, once the economy was locked down because of COVID-19 (with the exception of certain industries deemed essential), the supply chains of key manufacturing components collapsed, as did consumer demand, since stores were forced to close and consumers were encouraged to stay at home.
69. Manufacturing plants came online again as we began to emerge from the first wave of COVID-19, but they did so with strict sanitary protocols in place which included restrictions on production capacity and on the number of employees allowed per shift. Unfortunately, the second wave of COVID19 infections that hit the world in the fall/winter of 2020 is still uncontained, with new variants of the disease developing in the UK, South Africa, India, and Japan. This continues to wreak economic havoc across all regions of the world, which is likely to dampen economic recovery at least until the second half of 2021. The potential game changer that could reduce the economic impact of the second COVID wave is undoubtedly the effort that several countries are making to ramp up their vaccination strategies.

III.4.2. The need for sound domestic policies to fully seize the USMCA opportunity

70. The USMCA is a necessary tool to help North America return to growth, but it won't be enough if it is not accompanied by solid domestic policies that promote a positive environment for doing business and generate confidence among international investors. Although the López Obrador Administration has openly embraced the USMCA, recent domestic policy decisions like those discussed in section II.1 seem to be heading in the opposite direction. For Mexico to fully take

advantage of the opportunities offered by the USMCA, the Government must restore investor confidence and lower the political risk associated with doing business in Mexico.

II.4.3.Regional awareness regarding the importance of sustainable economic development

71. Mexico, Canada, and the United States are now Parties to the Paris Agreement, the first-ever universal, legally binding global climate change agreement, which was adopted at the Paris climate conference (COP21) in December 2015. On January 27, 2021, Climate Day, President Biden signed a series of executive orders affecting different areas of the Federal Administration aiming to address planet-warming carbon emissions. President Biden’s goals include an energy sector free from carbon pollution by 2035 and directing the United States towards a net 0 emissions economy by 2050.
72. The actions enacted in January 2021 include:³⁹
 1. *Tackling the climate crisis at home and abroad executive order* (January 27, 2021). By establishing the climate change at the center of the U.S. foreign and national security policies,⁴⁰ Biden’s Administration:
 - rejoins the Paris Agreement and seeks to develop “*the United States’ nationally determined contribution*” – *our emission reduction target* – under *the Paris Agreement*”, and at the same time design a climate finance plan;
 - directs the federal agencies to procure carbon pollution-free electricity and clean, zero-emission vehicles;
 - establishes a moratorium, directing the Secretary of the Interior to pause on entering into new oil and natural gas leases on public lands or offshore waters. It also calls for a rigorous review of all existing leasing and permitting practices related to fossil fuel development on public lands and waters; and
 - directs the heads of agencies to identify any fossil fuel subsidies provided by their respective agencies, and then take steps to ensure that, to the extent consistent with applicable law, Federal funding is not directly subsidizing fossil fuels.

³⁹ Most relevant actions for the purpose of this document.

⁴⁰ “It is the policy of my Administration that climate considerations shall be an essential element of United States foreign policy and national security.” Available at: <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/27/executive-order-on-tackling-the-climate-crisis-at-home-and-abroad/>

2. *Memorandum on Restoring Trust in Government Through Scientific Integrity and Evidence-Based Policymaking* (January 27, 2021). Through this Memorandum, the Administration sets an explicit evidence-based decisions policy considering the best available science and data.
 3. *Executive Order on Rebuilding and Enhancing Programs to Resettle Refugees and Planning for the Impact of Climate Change on Migration*. President Biden directs the Assistant to the President for National Security Affairs (APNSA), to prepare a report on climate change and its impact on migration, including forced migration, internal displacement, and planned relocation. This report shall include options for protection and resettlement of individuals displaced directly or indirectly from climate change and opportunities to work collaboratively with other countries to respond to migration resulting directly or indirectly from climate change.
73. On March 1, 2021 Presidents Biden and López Obrador met via videoconference. During the meeting, both leaders agreed on the importance of climate change and committed to work together towards achieving the goals established in the Paris Agreement. However, recent public policies in Mexico seem to go against some of the key commitments of the Paris Agreement and could potentially create irritants with the Biden Administration. Some of these policies include:
1. *Modifications to the Terms of strict legal separation of the Federal Electricity Commission (CFE)*. According with the Federal Competition Commission,⁴¹ this modification blurred the competitive design enacted with the Energy Reform by allowing CFE to entrench its monopoly power in the generation market. Also suppressed any possibility for private investment in transmission and distribution activities.
 2. *Policy of reliability, security, continuity and quality in the national power system*. Through this policy, the government intends to strengthen the dominant position of CFE by reducing the incentives to generate electric power from clean energy sources. This Policy has been declared unconstitutional by the Mexican Supreme Court and was permanently suspended.⁴²
 3. *Reforms to the Electric Industry Law*. President López Obrador sent to the Congress a preferential legal reform to the Electrical Industry Law aimed to reinstate the measures provided originally in the Policy stated in point 2. This reform was fast-tracked and approved by the Mexican House of Deputies and the Senate and is likely to be published soon. It is likely that there will be similar legal challenges in the Mexican judicial system as in the case of the Policy of reliability.

⁴¹ <https://www.cofece.mx/riesgos-a-la-competencia-en-la-industria-electrica-2/>

⁴² https://www.dof.gob.mx/nota_detalle.php?codigo=5612716&fecha=04/03/2021

74. The Mexican government is engaging in a frontal assault against the energy reform that was enacted in 2013 and combined with policies that promote a return to the use of coal and fuel oil as a leading energy source for power generation is likely to raise tensions with a Biden Administration which is placing sustainable development and combatting climate change at the center of its international agenda.

IV. LIGHT AT THE END OF THE TUNNEL: THE SECTORS OF THE FUTURE

75. USMCA's entry into force is being marked by COVID-19 and increasing U.S.-China trade tensions. Both factors are inflicting significant damage to the world economy, but paradoxically could boost USMCA's importance within the global trading system, and therefore deliver significant trade and investment to the North American region.
76. Section IV of this report will look in some detail at the reasons why both the pandemic and the U.S.-China conflict could bring substantial benefits and will go on to point out some of the sectors with greatest potential.

IV.1. Times of crisis are times of opportunity: The changing economic environment

IV.1.1. The COVID-19 effect

77. The USMCA is coming into effect during the worst economic crisis that North America has witnessed in almost a century. Part I showed us the difficult economic landscape for Mexico for 2020, and it is likely that the hardship will continue at least through 2021. According to the WTO's most recent estimates, total trade contracted by 5.3% in 2020. However, it is expected to grow by 8.0% in 2021 and then stabilize at a growth rate of 4.0% in 2022.
78. Given the trade recovery scenario that is being forecast, the USMCA represents a breath of fresh air for a severely battered regional economy. While the economic crisis could put additional stress on the ability of companies to comply with the new requirements of the USMCA, especially in the automotive sector, the drastic change in the paradigm for the international economy should be properly seen as a major opportunity for North America. Here are the main reasons for this:

- a) ***The pandemic is increasing protectionist tendencies around the world:*** As was mentioned in sections I.3 and II.1.2, the growing disillusionment in the developed world with globalization, and the COVID-19 crisis have exacerbated protectionist tendencies in many countries around the world, including the U.S. Key decision-makers within the Trump Administration said that one of the key lessons from the pandemic is that the U.S. can no longer rely on global supply chains. They called for self-sufficiency in U.S. manufacturing, something that is impossible, but is nevertheless a worrisome idea. U.S. Trade Representative Robert Lighthizer, wrote a May 11, 2020, opinion piece in the New York Times in which he declared that “*The Era of Off-Shoring U.S. Jobs Is Over*”⁴³. Further, the Biden Administration has signaled that it will generate incentives for U.S. companies not to offshore operations and is considering a punitive 10% tax against companies that decide to invest in other countries.

This renewed protectionist impulse worldwide is another reason why it is so important for the U.S. and Mexico to have the USMCA in effect and properly implemented. The Agreement serves as an anchor, or compass, for trade relations in North America, as it makes it very costly for any of the USMCA partners to engage in discretionary, protectionist policies, for the simple reason that the Agreement calls for immediate retaliation if a partner suddenly decides to violate its commitments.

- b) ***Nearshoring will become a priority for many companies:*** Until about a year ago, most international companies considered the cost advantages of spreading production processes across the world, without a moment’s thought about the word “pandemic”. Cost-cutting was the main objective, and depending on the nature of its business, a company could have manufacturing facilities in several continents. One of the lessons from COVID-19 is that companies are adding a new element to the cost equation, which is the perceived level of risk associated with a pandemic that could conceivably shut down supply chains, especially in Asia. We are already seeing an important move by manufacturers to shorten supply chains and bring them closer to home. As that phenomenon spreads, North America stands to gain enormously because it remains enormously attractive to greenfield investments, especially in the manufacturing sector.

The three North American countries should work towards developing and implementing the concept of “Ally Shoring”, based on the principle that by producing together and exporting to the world, the USMCA region can become the

⁴³ <https://www.nytimes.com/2020/05/11/opinion/coronavirus-jobs-offshoring.html>

most competitive region on earth. The process begins with the realization that investing in Mexico or Canada is not offshoring, because all three countries are part of a North American production perimeter, whereby building products jointly, the US, Canada, and Mexico can compete more effectively with the rest of the world. When a U.S. company invests in Mexico, and that company exports to the world, 40% of the value of those exports comes from the United States. Compare that to when a U.S. company invests in China, where exports from U.S. offshored companies in China contain less than 4% U.S. value⁴⁴.

“Ally Shoring” makes economic sense, as it allows the United States, Mexico, and Canada to make the most efficient use of resources, and to maximize each country’s competitive advantage to the benefit of the region. North America has enormous natural resources such as water and energy; an advanced transportation and infrastructure network; a mature web of integrated supply chains, built over 25 years through the opportunities created by NAFTA; a skilled workforce whose manufacturing productivity is among the highest in the world; and an unrivaled technological know-how which will prove essential in the race to dominate the knowledge economy in the 21st Century.

However, the benefits of implementing trade and investment policies that consider North America as a single economic bloc go beyond the purely economic realm. North America can be strengthened from the geopolitical perspective as well because further integration will lead to an increase in regional prosperity in the three USMCA countries, as well as strengthening the commitment to open markets and uphold democratic values. At the end of the day, the U.S. will benefit enormously from a strong and prosperous Canada and Mexico, and will be strengthened in its efforts to face international challenges on the economic and security fronts.

- c) **Stricter USMCA rules of origin make North America more attractive:** In section III.3.2, it was noted the implications associated with tightening some of the rules of origin in the USMCA, especially in the automotive sector. However, the flip side of having stricter rules of origin is that companies in third countries are becoming aware that to take advantage of the automotive market in North America, they will have to invest in North America, as it will no longer be possible to simply export non-originating components from non-USMCA countries and obtain preferential tariff treatment. Since the U.S., Canada, and Mexico have developed one of the world’s integrated and most efficient automotive production platforms, the USMCA

⁴⁴*Give Credit Where Credit is Due: Tracing Value Added in Global Production Chains*, NBER, 2010 available on: https://www.nber.org/system/files/working_papers/w16426/w16426.pdf

partners are well-positioned to receive foreign direct investment from other regions.

IV.1.2.The China factor

79. Beyond the structural effect of COVID-19, an additional (though related) element in the equation for economic opportunity derived from USMCA is the ongoing trade tensions between the U.S. and China, which could imply a veritable shift in the tectonic plates of international trade.
80. This on-going dispute has reduced U.S. purchases of Chinese goods considerably, while the agricultural sector of the U.S. has been severely hit by reduced access into the lucrative Chinese market. Moody's Analytics estimates that the trade tensions have cost over 300,000 jobs in the U.S. through September 2019⁴⁵, which may pale in comparison to the millions of jobs lost this year because of the COVID-19 pandemic but is still a staggering number.
81. In addition to the job losses, the trade dispute with China has forced U.S. companies to pay more than \$55 billion USD more in tariffs than they would have without this trade conflict, according to an analysis of government data by the free-trade coalition called Tariffs Hurt the Heartland.⁴⁶ This ultimately translates into a hit to the wallets of U.S. consumers. A separate analysis from researchers at the Federal Reserve Bank of New York, Princeton, and Columbia University, estimated that those tariffs would cost the average U.S. household \$831 annually.⁴⁷
82. China's rising importance in the global economy is not only related to its status as a manufacturer and exporter of consumer products. China has become the main supplier of intermediate inputs for manufacturing companies abroad.
83. An analysis by the United Nations Conference on Trade and Development (UNCTAD)⁴⁸ illustrates the effects of disruptions to Chinese trade along value chains, based on the effect of the local COVID-19 lockdown on Chinese production in February 2020 (roughly two months before the equivalent effect in North America). The same logic applies to supply chain disruptions due to other causes,

⁴⁵ Moody's Analytics, *Trade war chicken: The tariffs and the damage done*, available at: <https://www.moodyanalytics.com/-/media/article/2019/trade-war-chicken.pdf>.

⁴⁶ Tariffs Hurt the Heartland, *The cost of the trade war*, available at <https://tariffshurt.com/news/trade-war-has-cost-americans-additional-46-billion-including-3-5-billion-in-november-2019-alone>. The cost is updated in real time, the figure for July 27, 2020 is US\$ 55.33 billion.

⁴⁷ Mary Amiti, Stephen J. Redding, and David E. Weinstein, *New China Tariffs Increase Costs to U.S. Households*, available at <https://libertystreeteconomics.newyorkfed.org/2019/05/new-china-tariffs-increase-costs-to-us-households.html>.

⁴⁸ UNCTAD, *Trade and development report update: Global trade impact of the Coronavirus (COVID-19) Epidemic*, March 2020, available at: <https://unctad.org/system/files/official-document/ditcinf2020d1.pdf>

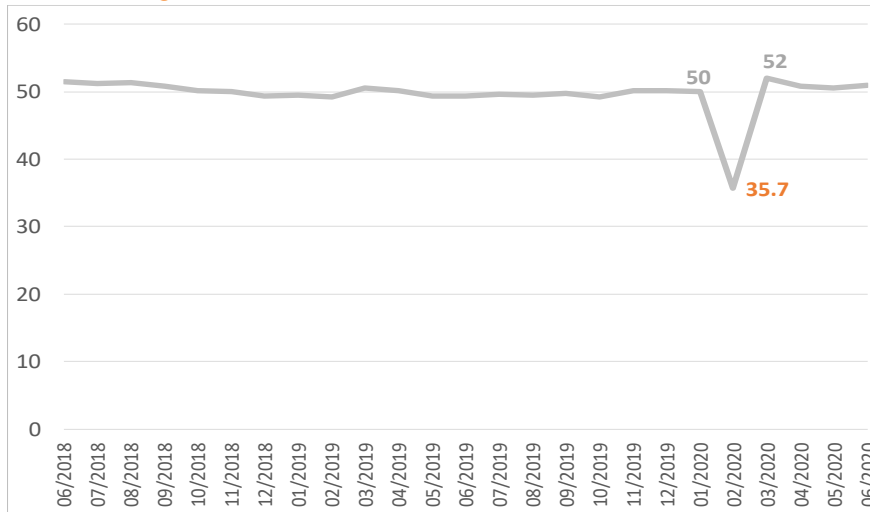
such as U.S. tariffs or other access barriers to the U.S. market (inhibiting exports, not production):

- In February 2020, China's Manufacturing Purchasing Managers' Index (PMI), a critical production index, fell precipitously due to the COVID-19 lockdown:

Chart 18

China's Manufacturing Purchasing Managers' Index

50= no change



Source: National Bureau of Statistics of China

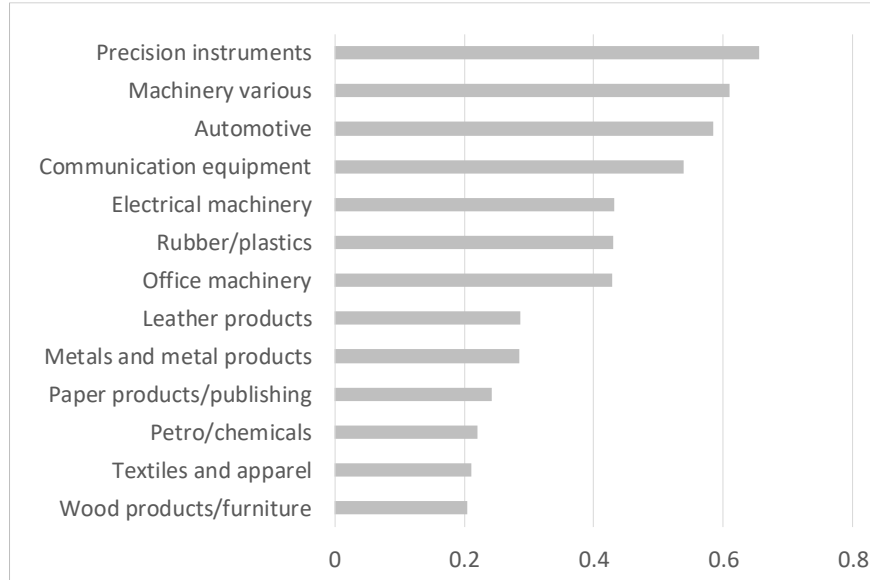
- Manufacturing in China being highly correlated to exports, this fall implies a 2% fall in annual exports, and thus (assuming an even effect across all sectors) an equivalent fall in Chinese exports of intermediate goods destined for global supply chains, which according to the UNCTAD study are 20% of global trade in intermediate products for manufacturing.
- This disruption is transmitted to global value chains according to each one's integration of Chinese intermediate goods.⁴⁹ The higher the integration, the larger the impact on value chains from a disruption in imports from China:

⁴⁹ Technically, each country's and industry's integration with the Chinese economy is measured by the Grubel-Lloyd Index (GLI) of intra-industry trade. The GLI is calculated on products categorized as manufacturing intermediate inputs (e.g. parts and components), computed at the industry level (as defined by the 4-digit Harmonized System classification) and then aggregated at the sectoral level using bilateral trade shares. The GLI is then used as a proxy measuring the percentage of a given country's exports in each industry that is vulnerable to supply disruption in China.

Chart 19

Integration of Chinese intermediate goods in global supply chains

Grubel-Lloyd index of intra-industry trade



Source: UNCTAD

- UNCTAD calculates the cost to global value chains of a 2% reduction in intermediate goods sourced from China – which can also be read as the potential for savings by redirecting the supply chain away from Chinese components in the context of trade conflicts with the U.S. (the lower bound for it, at any rate, since a 2% disruption seems very conservative in this context):

Table 3

Potential savings from redirecting sourcing away from China

Costs from a 2% reduction in Chinese production or imports from China, US\$ billion

Sector	Potential savings
<i>Machinery various</i>	9.49
<i>Automotive</i>	7.02
<i>Petro/chemicals</i>	5.42
<i>Communication equipment</i>	5.31
<i>Electrical machinery</i>	4.84
<i>Precision instruments</i>	4.39
<i>Metals and metal products</i>	3.06
<i>Wood products/furniture</i>	2.05
<i>Office machinery</i>	1.92
<i>Rubber/plastics</i>	1.56
<i>Textiles and apparel</i>	1.53
<i>Leather products</i>	0.69
<i>Paper products/publishing</i>	0.54

Source: UNCTAD

84. This analysis points to one of the likely reasons why Mexico, despite its poor economic performance in 2019, replaced China as the supplier of choice for multiple products in the U.S. market, allowing it to become the United States' number one trading partner. As the U.S.-China trade conflict continues, China should continue to lose ground in the U.S. market.

IV.2. The sectors of the future

85. Three major categories of sectors are believed will see the greatest benefits from USMCA, something that can contribute significantly to the economic recovery of the U.S., Canada, and Mexico:
- The first group includes the manufacturing sectors that were already successful under NAFTA and that will continue to grow.
 - The second set comprises high tech sectors where Mexico has made important inroads over the last 15 years, and where there is a great potential to become world leaders. This category could be referred to as the “knowledge economy”, and it encompasses all of the sectors that are directly related to the growth of digital services, and e-commerce (both in their ability to generate B2B and B2C solutions).
 - The third category includes what are perhaps the biggest success stories of NAFTA, which are the agricultural and agri-business sectors. This group also

includes the backbone of any country that intends to become a world player in international trade: the logistics and transportation sectors.

86. According to the International Trade Commission estimates that USMCA would increase U.S. real GDP relative to a baseline scenario in which NAFTA remains in place by 68.2 Billion USD and increase of 175.7 thousand full time workers. As a result of the USMCA is estimated that U.S. exports to Canada and Mexico will increase in 5.9% and 6.7% relative to the baseline. Additionally, it is estimated that the employment in the automotive sector will increase in around 28,000 full time employees which will be accompanied by an increase in U.S. investment of \$683 million USD por year to meet new demand for U.S. produced engines and transmissions. The ITC considers that once all USMCA provisions are fully implemented the agricultural and food exports will increase \$2.2 billion USD in comparison with those that would have been obtained with NAFTA. USMCA would lead to small increases in U.S. exports to Canada of dairy products, poultry meat, eggs, and egg-containing products, as well as wheat and alcoholic beverages.⁵⁰

IV.2.1. Already successful sectors will continue to grow

87. The sectors analyzed in the previous chapter are mostly 'traditional' manufacturing industries for which U.S. and Mexican exports should continue to thrive under the new rules of the USMCA. These include **automotive, aerospace, machinery and equipment, electric and electronic, steel and steel products, metals and metal products, textiles and apparel** and many others.
88. These sectors will continue to thrive in Mexico and the United States because of the high degree of supply chain integration that already exists across the USMCA partners. This will be helped further by the trade facilitation and cost-cutting customs procedures that have been introduced in the USMCA. In addition, new rules of origin requirements across key products such as automotive (discussed in section III.1.1(c)), chemicals, textiles, glass products, optic fiber, glass, television sets, etc. will generate incentives to increase foreign direct investment into North America.

IV.2.2. High-tech sectors will receive an additional boost

89. One of the biggest lessons of the COVID19 pandemic has been that countries desperately need to ensure the fast and free flow of **medical equipment** in order

⁵⁰ <https://www.usitc.gov/publications/332/pub4889.pdf>

to satisfy demand in times of crisis. This includes the production of basic personal protection equipment for health workers and the general population (PPEs—gloves, masks, protective eyewear, uniforms, gowns, etc.), but also advanced medical equipment, from ventilators to precision instruments for diagnostics and surgery, and electronic instruments for telemedicine.

90. Mexico is in an excellent position to become a world-class hub for medical equipment manufacturing, as it already has relevant production clusters in the country's Northeast and Northwest. As in other sectors, the vicinity to the United States, and the cost-cutting advantages offered by the USMCA, provide Mexico with a competitive edge vis-a-vis other regions that could fill medical equipment demand in the US.
91. By the same token, the COVID-19 pandemic is redefining government and private sector priorities worldwide regarding expenditures on pharmaceutical R&D. The "Race for the Cure" in developing vaccines against SARS-COV-2, the virus causing COVID-19, is proceeding at an accelerated pace, and is mobilizing resources in the **pharmaceutical** space in a way that had never been seen before.
92. Currently, Mexico is a minor player in the reception of foreign direct investment (FDI) in clinical research, capturing approximately \$300 million USD per year. However, that figure could easily double, due in part to the new provisions on intellectual property rights that were included in the USMCA.
93. In addition to vaccine research, Mexico is well-positioned to become a player in the design and development of new generation drugs, known as **biologics**, that have proven successful in combating some of the most prevalent chronic diseases in North America, such as diabetes, hypertension, and hepatitis. Cooperation between the U.S. and Mexico in the field of biologic pharmaceuticals could revolutionize the field of medicine in North America, to the benefit of the populations in both countries.
94. The **digital economy** is one of the few areas that has actually grown during the COVID-19 crisis, as some of the largest Internet Platforms have registered record earnings due to the explosion of e-commerce, as customers are unable to visit stores and are increasing their online purchases dramatically. This is without a doubt one of the most important growth sectors for Mexico, and it is expected sustained rates of growth in digital economy FDI over the next 5-10 years. As it was mentioned in section III.3.2 Mexico, through the state-of-the-art disciplines

established in the Digital Trade Chapter, is at the vanguard in the drafting of international trade rules to promote the growth of the digital economy.

IV.2.3. Agriculture and agribusiness are also in a position to thrive

95. The pandemic has also shown that agriculture and food processing will continue to be the top essential industries in times of crisis, along with the provision of health care. For reasons of climate, but also through years of investment in technology.
96. Currently, some of the largest horticultural companies in the U.S. are making plans to expand their investments in Mexico, primarily into the Southern region of the country. This is an area with an enormous untapped potential, which has not been exploited because the Mexican south has traditionally concentrated the largest pockets of rural poverty and lacks the capital resources, transportation and social infrastructure needed for investments to prosper. Nevertheless, the López Obrador Administration has made the development of the South-Southeast region a priority for the Mexican Government.

IV.2.4. Transportation and logistics are essential to realize all other opportunities

97. In order for a country to be able to compete successfully in international trade, it must be able to develop efficient and cost-effective **transportation and logistics** services, and the infrastructure needed to support them. Previous Mexican Administrations prioritized the development of transportations and communications infrastructure as part of their National Development Plans. The National Development Plan for 2019-2024 (Plan Nacional de Desarrollo) focuses on transportation infrastructure development, with emphasis on the development of southern Mexico (Tabasco, Chiapas, Yucatán, Campeche, and Quintana Roo).⁵¹ The Plan contains 25 priority projects, and about 50% of these are related to the development of transportation infrastructure. Top projects include a new airport for the greater Mexico City metropolitan area and surrounding states (to substitute the cancelled Texcoco airport), the *Tren Maya*, a major initiative for cargo and passenger transportation along the Yucatán Peninsula (a priority despite dubious social profitability), as well as the development of a multi-modal cargo corridor in the Isthmus of Tehuantepec. Overall, construction and modernization of roads, airports, maritime ports and railways remain the main focus of Mexico 's transportation developments plans.⁵²

⁵¹ Gobierno de México, *Plan Nacional de Desarrollo 2019-2024*

⁵² Select USA, *Mexico: Transportation Infrastructure Equipment & Services*, 2019

98. Despite the economic downturn, given the priority that the Mexican Government has placed on the construction of transportation infrastructure, and the growing demand for transportation and logistic services that will arise as a result of the USMCA, it is considered this to be a growth sector going forward.

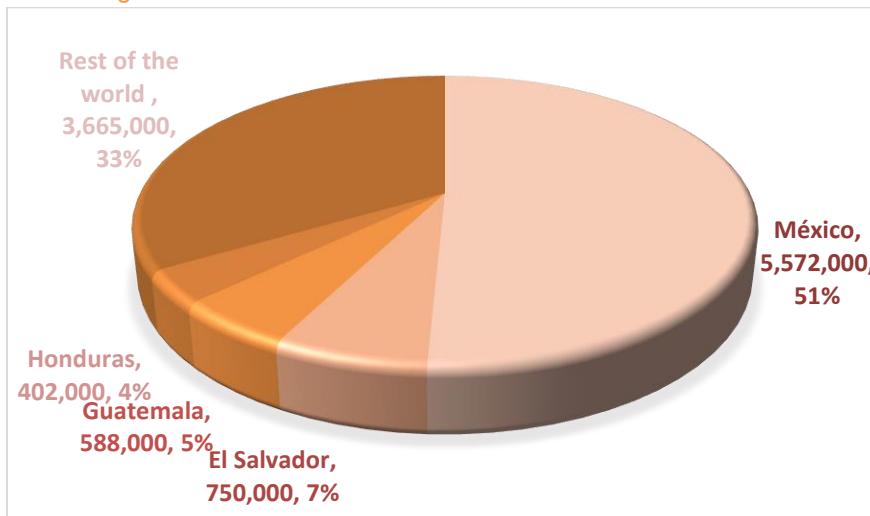
V. IMMIGRATION: A LONG AND WINDING ROAD

99. In 2019, according to the Migration Policy Institute, Mexicans accounted for almost 24% of the approximately 45 million foreign-born residents of the United States, with 11 million Mexican-born individuals living in the U.S. About 5.5 million undocumented Mexicans reside in the United States, representing 51% of total unauthorized population, while citizens from El Salvador, Guatemala and Honduras represent 16% of total illegal immigrants in the U.S. However, the Mexican population (authorized and unauthorized) in the U.S. has declined by almost 780,000 people since 2010.⁵³⁵⁴This is due to the fact that for the last six years, the immigration rate from Mexico to the United States has been negative, that is, more people return to live in Mexico every year, than the people from Mexico who migrate to the United States.

Chart 20

Unauthorized population by country of birth, 2018

Percentage



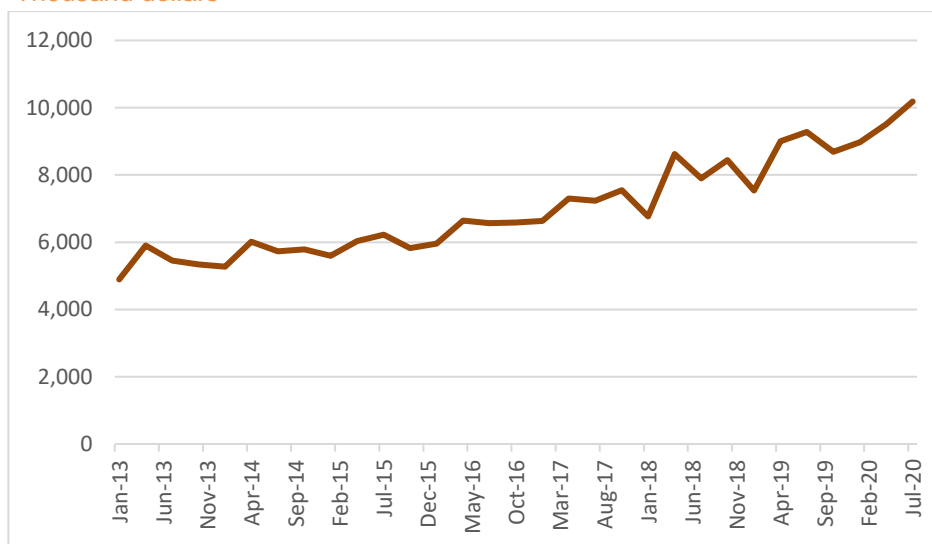
Source: Migration Policy Institute

⁵³ Profile of the unauthorized population in the US: <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/US#>

⁵⁴ Emma Israel and Jeanne Batalova *Mexican Immigrants in the United States*. <https://www.migrationpolicy.org/article/mexican-immigrants-united-states-2019>

100. For decades, remittances from Mexicans living in the U.S. have been a major source of foreign reserves for Mexico. In 2019 remittances reached an all-time high of \$34.5 billion dollars according to Banxico, Mexico’s Central Bank.⁵⁵ Despite the COVID pandemic, as of the third quarter of 2020, remittances increased 11% compared to the same period in 2019.

Chart 21
Annual remittance flows from the U.S.
 Thousand dollars



Source: Banco de México, Sistema de Información económica.

V.1. Deferred Action for Childhood Arrivals (DACA)

101. In September 2017, the Trump administration announced the termination of the Deferred Action for Childhood Arrivals (DACA), a program that was created in 2012 by President Barack Obama and that consists of allowing unauthorized individuals who arrived as children to the US to receive a renewable two-year period of deferred action from deportation and become eligible for a work permit. When the Trump administration announced the cancellation of the DACA program, several lawsuits were filed against its unlawful termination which resulted in court injunctions in California, New York, and the District of Columbia. This kept the program alive, but only for individuals who have previously held DACA status.⁵⁶

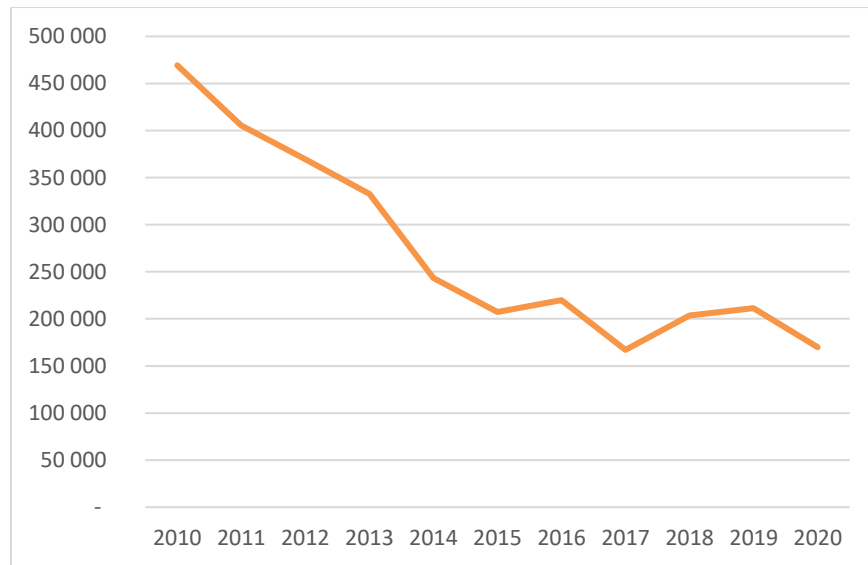
⁵⁵Banco de México Sistema de Información Económica:
<https://www.banxico.org.mx/SielInternet/consultarDirectorioInternetAction.do?sector=1&accion=consultarDirectorioCuadros&locale=es>

⁵⁶ <https://www.nilc.org/issues/daca/daca-litigation-timeline/>

Furthermore, in June 2020 the Supreme Court ruled on three injunctions blocking the elimination of DACA, affirming that the reasoning given for the rescission was arbitrary and capricious under the Administrative Procedure Act (APA).⁵⁷ As of June 2020, there were approximately 880 thousand Mexican immigrants who could be eligible for DACA, and 520 thousand Mexican DACA recipients.⁵⁸

102. Since 2010, the number of undocumented Mexican immigrants deported has decreased drastically, which reflects a lower flow of illegal Mexican immigrants to the US, going from almost 479 thousand in 2010 to 170 thousand in 2020.

Chart 22
Deportation of Mexicans from the US
 Individuals



Source: Secretaria de Gobernación. Boletín de estadísticas migratorias 2010-2020

V.2 Migrant Protection Protocols (MPP)

103. In January 2019, the United States Department of Homeland Security (DHS) announced the implementation of the Migrant Protection Protocols (MPP), also known as “remain in Mexico” program, under which asylum seekers were given notices to appear in immigration court, and a majority of these were sent back to Mexico to wait until their court date was announced without the benefit of legal assistance.

⁵⁷ <https://edition.cnn.com/2020/06/18/politics/daca-immigration-supreme-court/index.html>

⁵⁸ <https://www.migrationpolicy.org/programs/data-hub/deferred-action-childhood-arrivals-daca-profiles>

104. The American Immigration Council has stated that the lack of legal assistance for these asylum seekers, and the insecurity that they encounter in Mexican border towns has made it practically impossible for MPP applicants to be granted asylum⁵⁹. By the end of 2020, only 638 people were granted asylum, out of 42,012 people subject to MPP. To make matters worse, as a result of the COVID pandemic all MPP hearings were suspended.

V.3 Supplementary Agreement between the United States and Mexico

105. In June 2019, under former President Trump's threat to unilaterally increase tariffs on all Mexican exports to the United States, Mexico reached an agreement with the U.S. to strengthen immigration enforcement and to accept more U.S. asylum seekers from third countries to remain in the Mexican territory, while awaiting the results of their asylum hearings. In a joint declaration with the U.S. Government, Mexico agreed to the deployment of the National Guard throughout Mexico in order to enforce immigration laws⁶⁰. Around 21,000 members of the National Guard were deployed, of which 15,000 soldiers were placed on the U.S.-Mexico border and 6,000 on Mexico's southern border. It was later decreed that 2,400 troops would remain on the southern border permanently.⁶¹

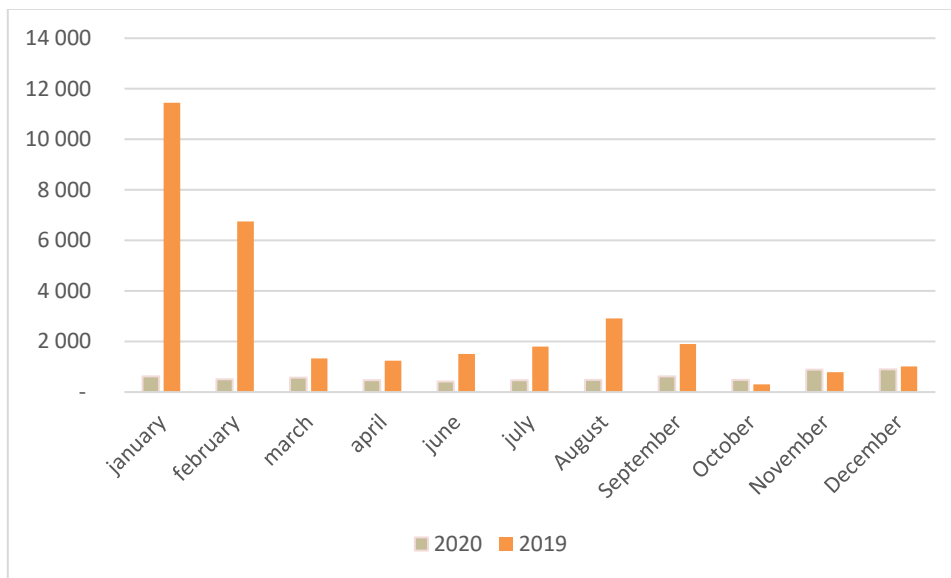
106. As a result of this agreement, there was a significant decrease in the number of Visiting Cards for Humanitarian Reasons (TVRH) granted by the Mexican government, for migrants from Central America. In 2019, 31,410 cards were granted, while as of November 2020, only 6,460 TVRH had been issued, which represents a 79% decrease.

⁵⁹ <https://www.americanimmigrationcouncil.org/research/migrant-protection-protocols>

⁶⁰ <https://www.state.gov/wp-content/uploads/2019/09/19-607-Mexico-Migration-and-Refugees.pdf>

⁶¹ <https://www.eleconomista.com.mx/politica/Guardia-Nacional-ha-desplegado-21000-elementos-para-contener-la-migracion-a-Estados-Unidos-20190720-0018.html>

Chart 23
Visiting cards for humanitarian reasons (TVRH)
Individuals



Source: Secretaría de Gobernación. Boletín de estadísticas migratorias 2019-2020

107. As part of the June 2019 agreement, the U.S. reiterated its commitment to promote the development and economic growth in southern Mexico and the Northern Triangle of Central America,⁶² supporting the Comprehensive Development Plan launched by the Mexican government in concert with the Governments of El Salvador, Guatemala and Honduras.⁶³
108. The Comprehensive Development Plan aims to address the structural causes of migration, with a focus on growth, equality, environmental sustainability and guaranteeing rights throughout the entire migratory cycle. The initiative contemplates 22 thematic programs and 108 projects, ready to be implemented, which entail an investment of \$25 billion dollars over 5 years.⁶⁴
109. The plan contains a diagnostic on the main reasons for migrants to leave their places of origin. These were the lack of employment, very low incomes, and the violence and insecurity in their countries and specific municipalities.

⁶² United States-Mexico Declaration of Principles on Economic Development and Cooperation in Southern Mexico and Central America, December 2018. Available in: <https://sv.usembassy.gov/united-states-mexico-declaration-of-principles-on-economic-development-and-cooperation-in-southern-mexico-and-central-america/>

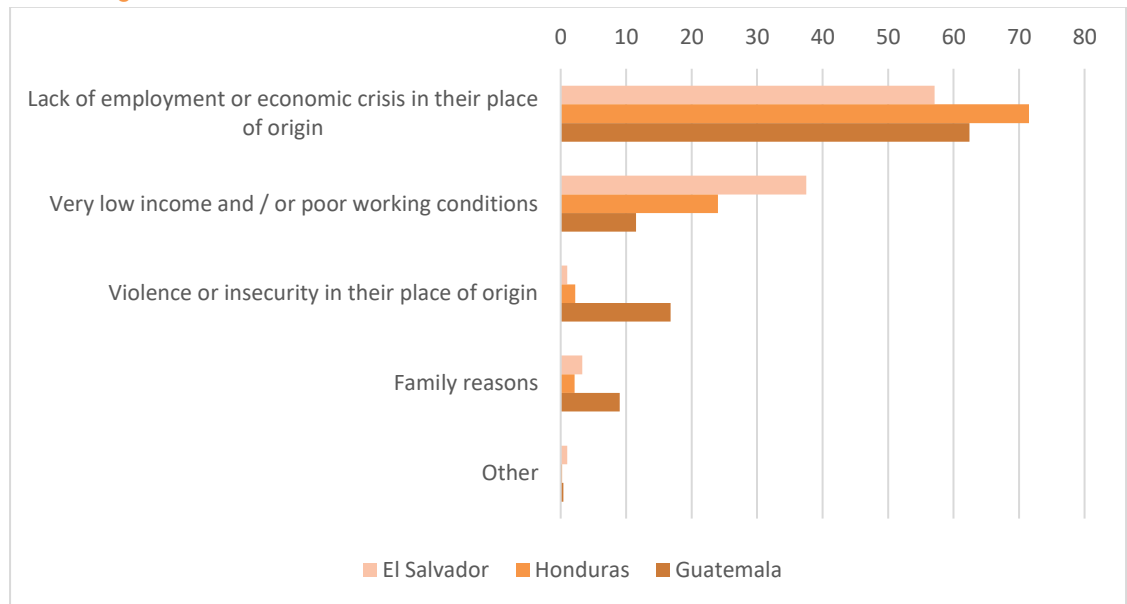
⁶³ <https://www.state.gov/wp-content/uploads/2019/09/19-607-Mexico-Migration-and-Refugees.pdf>

⁶⁴ <https://www.cepal.org/en/pressreleases/comprehensive-development-plan-innovative-proposal-addresses-structural-causes>

Chart 24

Reasons for migration to the United States

Percentage



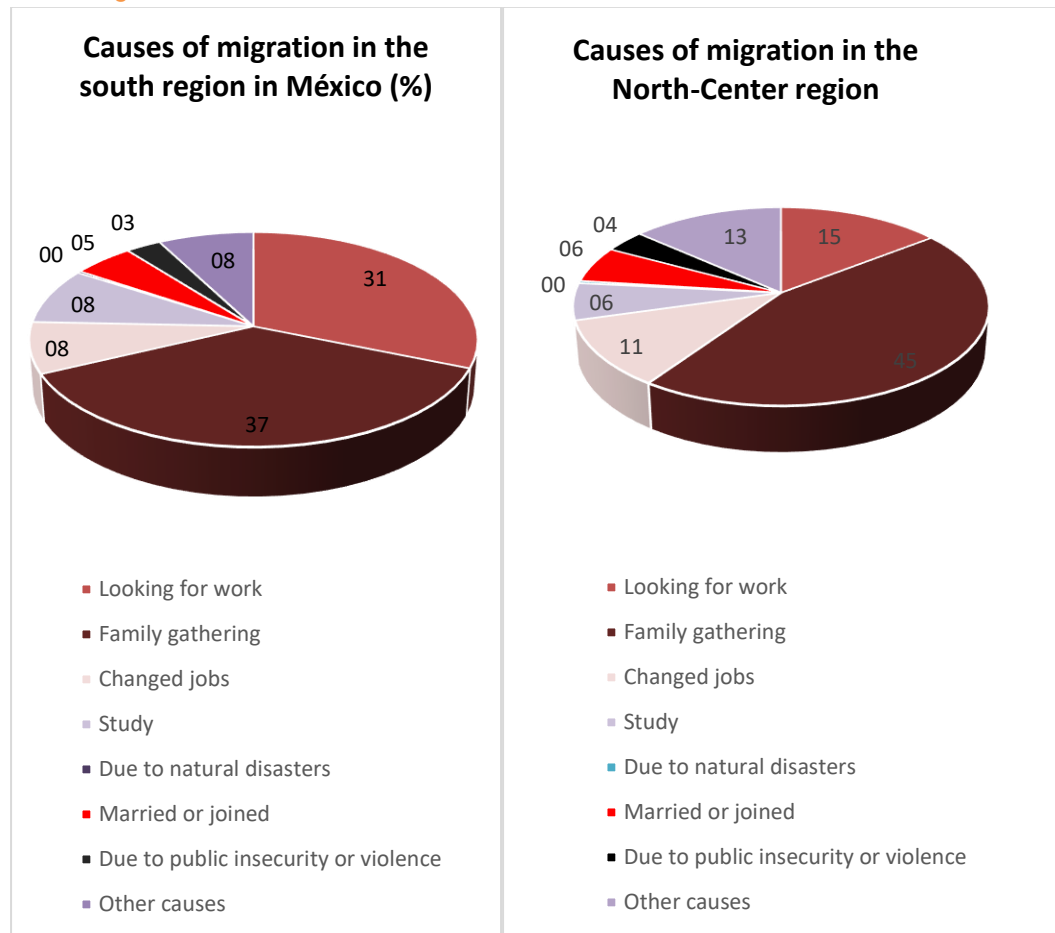
Source: Plan de Desarrollo integral: El Salvador, Guatemala, Honduras. Diagnóstico, áreas de oportunidad y recomendaciones de la CEPAL. Mayo 219.

110. In Mexico, the National Survey of the Demographic Dynamics (ENADID) reveals that more than double the amount of people migrate from Mexico’s southern region in search for work than from the central-northern region. That is, there is 215% more migration caused by lack of work opportunities. Additionally, in the period between August 2013 to September 2018, 149,766 migrants averaging 36 years of age, left the southern region of Mexico towards other countries. According to information from ENADID, the profile of the international migrant from the southern region corresponds mainly to population of low (61.5%) and medium-low (28.8%) socio-economic levels, which suggests that more than 90% of the migrant population of the southern region has been forced to migrate due to the social and economic conditions in which they live.

Chart 25

Causes of migration by region in Mexico

Percentage



Source: Encuesta Nacional de la Dinámica Demográfica (ENADID) 2018

V.4 U.S. citizens in Mexico

111. According to the most recent census in Mexico,⁶⁵ approximately 797 thousand Americans live in Mexico, which represents the largest population of U.S. immigrants around the world and 65.8% of the total migrant population in Mexico. Of this total, 514 thousand are for the population over 12 years of age, which are mainly concentrated in the states of Baja California (16.8%), Chihuahua (9.7%), Jalisco (9.1%) and Tamaulipas (6.5%). Regarding their education, 48.7% of U.S. citizens over 12 years old have primary education, 30.2% high school and 20.2% college or graduate degrees.

⁶⁵ Censo de Población y vivienda 2020. Available at: <https://www.inegi.org.mx/programas/ccpv/2020/>

112. A large percentage of U.S. citizens living in Mexico are children who were born in the United States, and an important number of these are children of illegal immigrants who were deported back to Mexico. In addition, of the almost 800 thousand U.S. citizens living in Mexico, 35.4% are under 12 years old, 36% are between 12 and 19 years old, 15.8% are between the ages of 20 and 34, and only 12.1% are older than 34 years old. The growing U.S.-born population in Mexico is mainly explained for Mexican parents deported to their country with their U.S.- born children, but also by an increase in voluntary returns from the United States, where more than half of returnees cited family reunification as their motivation to return.⁶⁶

V.5 Economic impact of immigration

113. It is estimated that Hispanic households in the United States, where more than half correspond to households of Mexican origin, accounted for more than \$780 billion USD in spending power in 2017, and paid \$252 billion in taxes. Likewise, Hispanic immigrants are nearly 25% more likely to have their own business than the general population in the United States. Over the past 10 years, the number of Latino business owners grew 34% compared to 1% for all business owners in the United States.⁶⁷

114. Additionally, Mexicans participate in the labor force at higher rates than overall foreign-born populations. About 69% of Mexican immigrants were in the civilian labor force in 2019, where they were more likely to be employed in occupations such as services, natural resources, construction, and maintenance occupations. However, households headed by a Mexican immigrant have a median annual income which \$13,000 dollars below the average than all immigrant households.⁶⁸

⁶⁶ Selee Andrew, Giorguli Silvia, Ruiz Ariel and Masferrer Claudia. *Investing in the neighborhood*. Migration Policy Institute. El colegio de México. September 2019. Available at: <https://www.migrationpolicy.org/sites/default/files/publications/US-Mexico-Migration-English-Final.pdf>

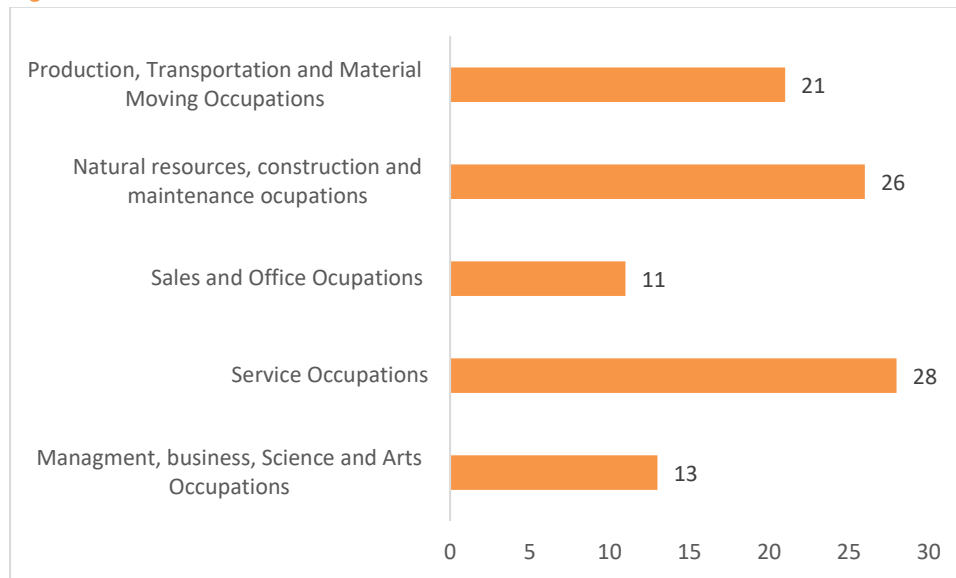
⁶⁷ Kramer et. Al. *Shining a light on national trends*. Stanford business. November 2018. Available at: <https://www.gsb.stanford.edu/sites/gsb/files/publication-pdf/slei-report-2018-latino-owned-businesses-shining-light-national-trends.pdf>

⁶⁸ Emma Israel and Jeanne Batalova. Mexican Immigrants in the United States. Migration Policy Institute. November 2020. Available at <https://www.migrationpolicy.org/article/mexican-immigrants-united-states-2019>

Chart 26

Employed workers in the U.S. Civilian Labor Force

Ages 16 and older, %



Source: Migration Policy Institute

V.6 Bilateral coordination mechanisms on immigration

115. Mexico shares the U.S. interest in developing a comprehensive approach to migration, including safe and human migration management. To that end, the Mexican government has established three main coordination mechanisms on migration issues to address the migration phenomenon from a bilateral perspective. First, the Executive Repatriation Policy Steering Group, which periodically evaluates, analyzes, and develops binational public policies in order to improve the repatriation processes of Mexicans, guaranteeing safe, dignified and orderly return schemes. Second, the Border Violence Prevention Council (BVPC) which is a policy-level decision making body that promotes initiatives aimed at preventing incidents of border violence through collaborative efforts, joint public engagement campaigns, increased transparency, and information exchange Third, the strengthening of the bilateral Consular Dialogue for the attention to nationals of both countries, that require assistance and consular protection abroad.⁶⁹

V.7 Prospects for future cooperation on immigration

116. In his first day in office, President Joe Biden signed 17 executive orders to restructure Trump administration policies related to immigration, aiming for the

⁶⁹Segundo informe de labores. Secretaria de Relaciones Exteriores. Septiembre 2020. Available at: <https://www.gob.mx/sre/documentos/segundo-informe-de-labores-2019-2020>

legalization of 11 million unauthorized immigrants. The Biden Administration has signaled its intention of facilitating a path to citizenship to undocumented workers that may qualify, including an estimated 3 million “Dreamers”, over 300,000 people who are classified under Temporary Protected Status (TPS), as well as hundreds of thousands of farmworkers.⁷⁰

117. One of the first actions taken by President Biden upon taking office was the signing of an Executive Order suspending funding for the construction of the Mexico border wall.⁷¹ This initiative was one of President Trump’s top campaign promises in the 2016 Presidential elections. It became one of the most controversial irritants in the relationship with Mexico during Donald Trump’s presidency, and a constant source of friction during the negotiations of the USMCA. Although both governments agreed from the outset of the negotiations that the issue of immigration and the border wall would not be part of the USMCA, President Trump used it repeatedly as a political tool to exert pressure on the Mexican Government and solidify the support of a large portion of his political base, which saw the border wall as an important symbol of the concept of Making America Great Again (MAGA).
118. Early signs from the Biden Administration indicate that rather than establishing additional enforcement measures against unauthorized immigration, attention will be placed on strengthening existing border technology. The administration signaled that it will no longer place asylum seekers in MPP, but it has not yet issued a decision regarding the people that have already been sent back to Mexico and who are awaiting the results of their asylum applications.⁷²
119. Moving away from the border wall and eliminating the policy of separating undocumented children from their families at the border will undoubtedly ease tensions with Mexico on the immigration front. It will be interesting to see if Mexico and the U.S. modify the immigration agreement that was negotiated with the Trump Administration, and whether the changes in U.S. policy will create an environment that is more conducive to bilateral cooperation on the root causes of immigration from Central America, which are primarily the lack of economic opportunities and the resulting collapse of the social fabric and the corresponding rise of insecurity.

⁷⁰ <https://www.migrationpolicy.org/article/biden-immigration-reform-agenda>

⁷¹ <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/proclamation-termination-of-emergency-with-respect-to-southern-border-of-united-states-and-redirection-of-funds-diverted-to-border-wall-construction/>

⁷² <https://www.americanimmigrationcouncil.org/research/migrant-protection-protocols>

VI. WHERE DO WE GO FROM HERE: CONCLUSIONS

VI.1. *The opportunity from USMCA*

120. As it was explained throughout this document, the USMCA is coming into effect at a time of great need, in the middle of policy headwinds and the effects of a historic pandemic. It will certainly not solve all of North America's economic woes in the short run but it will provides certainty and stability to bilateral trade.
121. But if there is great need, there is also great opportunity for North America. The combination of a U.S. that is changing its present structural trade relationship with China, and the foreseeable longer-term effects of COVID-19 on international business decisions, give a strong boost to shifting many companies' operations away from very extended global supply chains and towards nearshoring.
122. The opportunity for investing and operating in the U.S. and Mexico brought about by the USMCA and the surrounding circumstances has several mutually reinforcing facets:
- a) **Access and certainty in the U.S. and Mexican market:** The legal certainty and continued preferential access guaranteed by USMCA (including, paradoxically, more stringent rules of origin) mean that the region should enjoy very substantial opportunities for investment and export-oriented production in all of the sectors discussed in chapter III.2: 'traditional' manufacturing, including automotive, aerospace, machinery and equipment, electric and electronic, steel and steel products, metals and metal products, textiles and apparel; high tech sectors including medical equipment, pharma and the digital economy; as well as agriculture and agribusiness.
 - b) **Manufacturing hub for global markets:** In addition to USMCA, Mexico is a member of the CPTPP and has modernized its free trade agreement with the European Union and has long-standing agreements with most of Latin America. The original Agreement with the EU, for example, had limited agricultural access (approximately 60% of agricultural products were liberalized), whereas the new and improved agreement will open up to 92% of agricultural trade between Mexico and the EU.

Goods produced in Mexico therefore not only enjoy unparalleled access into the US, but also to European, Asian and Latin American markets, thus allowing for

significant economies of scale. Instead of chasing for scattered locations across risky regions, U.S. companies establishing in Mexico can enjoy the predictability and cost advantages of its network of trade agreements.

VI.2. Getting ready for USMCA

123. In order to seize the substantial opportunities offered by USMCA, it is essential that businesses located or investing in the region make the effort to navigate two situations: understanding and complying with the agreement's provisions, and adapting to domestic (non-USMCA) regulation:

- i) **USMCA compliance:** Every company aiming to take advantage of the USMCA must be fully aware of its main provisions, with a special emphasis on the new requirements that were not a part of the original NAFTA. The following is a checklist that covers the main elements that every company must take into consideration going forward:

Figure 3
Basic USMCA compliance checklist

1	Labor chapter	Disciplines with “teeth” ⇒ Rapid response mechanism
2	Labor disputes	Conduct internal compliance audit
3	Rules of origin	Understand ROO in your sector
4	Customs procedures	Important changes from NAFTA ⇒ Understand Uniform Regulations
5	Trade facilitation	Simplification of procedures
6	Digital trade	New chapter will facilitate E-Commerce ⇒ Understand the new rules
7	Energy	Energy Reform-derived foreign investment protected

These seven elements cover the most important categories for USMCA compliance, but it is by no means an exhaustive list. Depending on the specific sector analyzed, other categories should be added to this checklist, such as Environment, Technical Barriers to Trade, Intellectual Property, or Sanitary & Phytosanitary Measures, among others.

- ii) **Navigating domestic regulation:** After complying with USMCA's rules, there are still internal Mexican regulations that can make or break a business venture. Several markets, including many of those highlighted as sectors of the future, are

subject to intense government intervention to uphold technical standards (ex. automotive), ensure consumer safety (ex. pharmaceutical) or prevent anticompetitive behavior (ex. transport), among other goals.

In the context of institutional depletion and an erratic internal policy process as described in chapter II.1, this challenge can be difficult, but overcoming it is an essential part of doing business in Mexico and gaining access to the very substantial USMCA-derived opportunities highlighted along this report.

VI.3. Increasing cooperation on immigration issues

124. Mexico and the U.S. share a rich history of cultural and economic integration, fueled by the exchange of ideas and of people throughout the last two centuries. Immigration has been a constant between both nations, and in a way, the history of both Mexico and the United States is a story of immigrants. It is a rich and complex story, fraught with political controversy, and often misunderstood. As these two North American neighbors reach the second quarter of the 21st century, experience has shown that cooperation and policy coordination is the best approach to the challenges posed by immigration.
125. Presidents Biden and López Obrador have pledged to place this issue at the top of their respective agendas, and to tackle immigration from the perspective of solving the root causes as to why people choose to leave their places of origin. Lack of educational and economic opportunities are the main drivers for immigration, and these should be addressed comprehensively, and jointly, by Mexico and the United States, not only in their own territories, but also in the Central American countries where most northbound immigration originates today.

ANNEXES

Main macroeconomic variables Mexico

Variable	2020
GDP current prices (Billion pesos)	23103
GDP growth (%)	-8.6
Consumer prices (Annual growth rate)	3.7
Producer Prices (Annual growth rate)	5
Interest rate	4.25
Public balance (Million pesos)	-274,824
Gross Domestic Debt	7,979,408
Gross External Debt (Million US dollars)	223,649
Exchange rate (Dec 31)	20.16
Trade balance (Million U.S. Dollars)	6262

Main macroeconomic variables United States

Variable	2020
GDP current prices (Billion USD)	20,934
GDP growth (%)	-3.5
Consumer prices (Annual growth rate %)	1.2
Producer prices (Annual growth rate %)	-2.7
Interest rate (%)	0.25
Public balance (Billion USD)	-3,132
Unemployment rate (Dec., %)	6.7
Exchange rate (USD/pesos, Dec. 31)	0.05
Trade balance (Billion USD)	-905

U.S. imports from Mexico by State (In millions)

State	2019	2020	State	2019	2020
All States	357,971	325,394	Nebraska	395	370
Alabama	5,028	4,161	Nevada	935	863
Alaska	59	44	New Hampshire	358	288
Arizona	9,302	8,978	New Jersey	4,777	5,223
Arkansas	1,037	777	New Mexico	1,387	1,378
California	46,678	47,913	New York	3,625	3,389
Colorado	1,520	1,241	North Carolina	7,813	7,084
Connecticut	2,953	2,952	North Dakota	162	138
Delaware	332	611	Ohio	8,856	8,201
Dist of Columbia	4	7	Oklahoma	696	749
Florida	6,925	6,175	Oregon	969	891
Georgia	7,782	9,146	Pennsylvania	7,113	5,805
Hawaii	14	8	Puerto Rico	665	568
Idaho	225	150	Rhode Island	2,933	1,508
Illinois	12,829	12,570	South Carolina	4,764	4,451
Indiana	5,157	4,569	South Dakota	58	77
Iowa	1,961	1,301	Tennessee	10,322	10,430
Kansas	805	571	Texas	104,320	88,726
Kentucky	7,514	6,882	US Virgin Islands	19	9
Louisiana	2,398	2,182	Utah	4,652	4,294
Maine	90	88	Vermont	63	56
Maryland	2,914	3,367	Virginia	1,335	1,595
Massachusetts	3,064	3,470	Washington	1,811	1,429
Michigan	58,200	47,473	West Virginia	117	128
Minnesota	2,364	2,595	Wisconsin	2,838	2,708
Mississippi	1,626	1,866	Wyoming	29	49
Missouri	3,413	3,347	Unknown	2,656	2,476
Montana	111	70			

U.S. exports to Mexico by State (In millions)

State	2019	2020	State	2019	2020
All States	256,570	212,672	Nebraska	1,734	1,639
Alabama	2,233	1,844	Nevada	772	1,648
Alaska	23	23	New Hampshire	409	342
Arizona	8,187	6,991	New Jersey	2,860	2,827
Arkansas	745	712	New Mexico	2,388	2,197
California	27,965	24,078	New York	3,136	2,224
Colorado	1,059	1,049	North Carolina	3,778	3,467
Connecticut	811	754	North Dakota	229	253
Delaware	164	153	Ohio	6,882	5,085
Dist of Columbia	10	3	Oklahoma	820	501
Florida	3,323	2,645	Oregon	530	437
Georgia	3,518	3,093	Pennsylvania	4,242	3,805
Hawaii	1	2	Puerto Rico	453	308
Idaho	258	224	Rhode Island	188	171
Illinois	9,304	7,281	South Carolina	2,198	1,813
Indiana	5,671	4,668	South Dakota	316	314
Iowa	2,087	2,011	Tennessee	4,166	3,277
Kansas	2,194	2,078	Texas	108,586	89,046
Kentucky	2,200	2,155	US Virgin Islands	1	4
Louisiana	8,427	5,420	Utah	762	943
Maine	51	47	Vermont	47	42
Maryland	405	293	Virginia	1,044	832
Massachusetts	1,941	2,055	Washington	2,512	1,282
Michigan	11,160	8,702	West Virginia	120	111
Minnesota	2,428	1,933	Wisconsin	3,282	2,554
Mississippi	1,429	1,217	Wyoming	46	43
Missouri	2,296	2,171	Unknown	7,128	5,844
Montana	54	60			



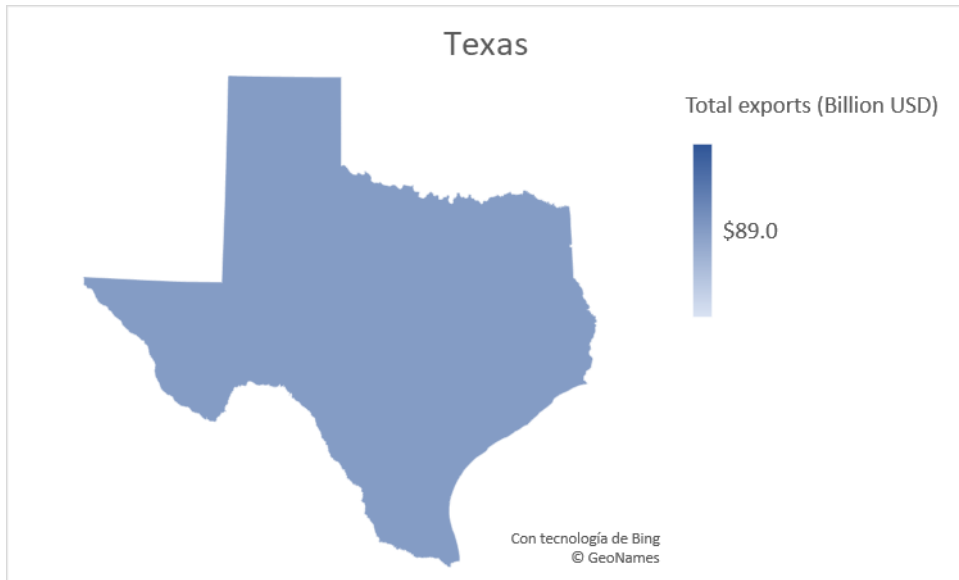
Mexico's largest trading partners 2020

Country	Percentage of total trade (%)
United States	63.2%
China	10.2%
Germany	2.5%
South Korea	2.5%
Canada	2.4%
Japan	2.2%
Malaysia	1.4%
Taiwan	1.2%
Brazil	1.1%
Spain	0.9%

United States' largest trading partners 2020

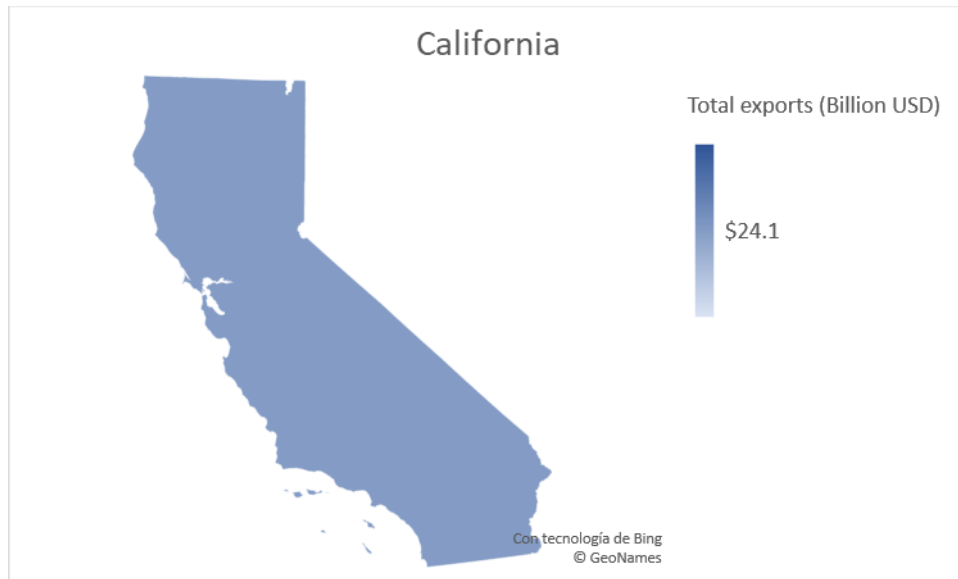
Country	Percentage of total trade (%)
China	14.9%
Mexico	14.3%
Canada	14.0%
Japan	4.9%
Germany	4.6%
South Korea	3.4%
United Kingdom	2.9%
Switzerland	2.5%
Taiwan	2.4%
Vietnam	2.4%

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
TEXAS**



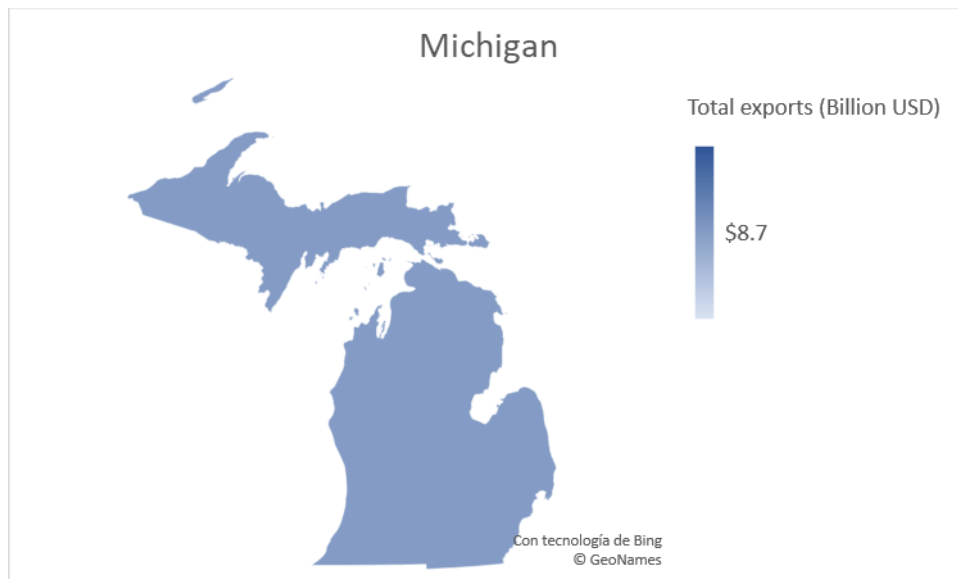
HS	Commodities	Million USD (\$)
271012	Lt Oils, Preps Gt=70% Petroleum/bitum Nt Biodiesel	8,018
854231	Processors And Controllers, Electronic Integ Cirt	6,250
271019	Petrol Oil Bitum Mineral (nt Crud) Etc Nt Biodiesel	5,245
847330	Parts & Accessories For Adp Machines & Units	5,195
271121	Natural Gas, Gaseous	3,876
847170	Automatic Data Processing Storage Units, N,E,S,O,I	1,810
852351	Solid-state Non-vol Semiconductor Storage Devices	1,552
840820	Compression-igntn Int Combustion Piston Engine Etc	1,540
271112	Propane, Liquefied	1,442
870899	Parts And Accessories Of Motor Vehicles, Nesoi	1,004

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
CALIFORNIA**



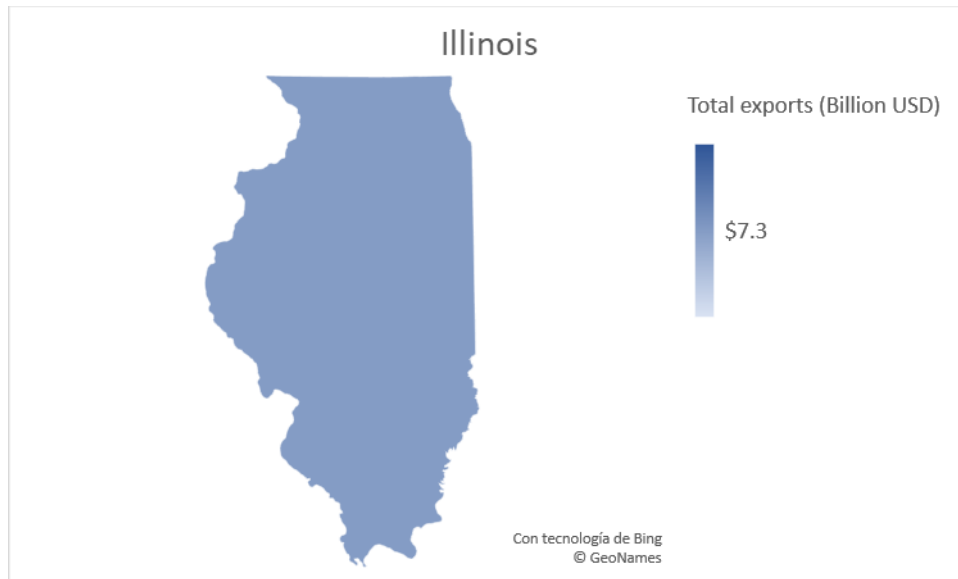
HS	Commodities	Million USD (\$)
854239	Electronic Integrated Circuits, Nesoi	625
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	399
851762	Mach For Recp/convr/trans/regm Of Voice/image/data	391
840734	Spark-igntn Recprcting Piston Engine Etc > 1000 cc	390
392690	Articles Of Plastics, Nesoi	384
901890	Instr & Appl F Medical Surgical Dental Vet, Nesoi	376
271019	Petrol Oil Bitum Mineral (nt Crud) Etc Nt Biodiesl	359
880000	Civilian Aircraft, Engines, And Parts	341
847330	Parts & Accessories For Adp Machines & Units	300
870899	Parts And Accessories Of Motor Vehicles, Nesoi	269

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
MICHIGAN**



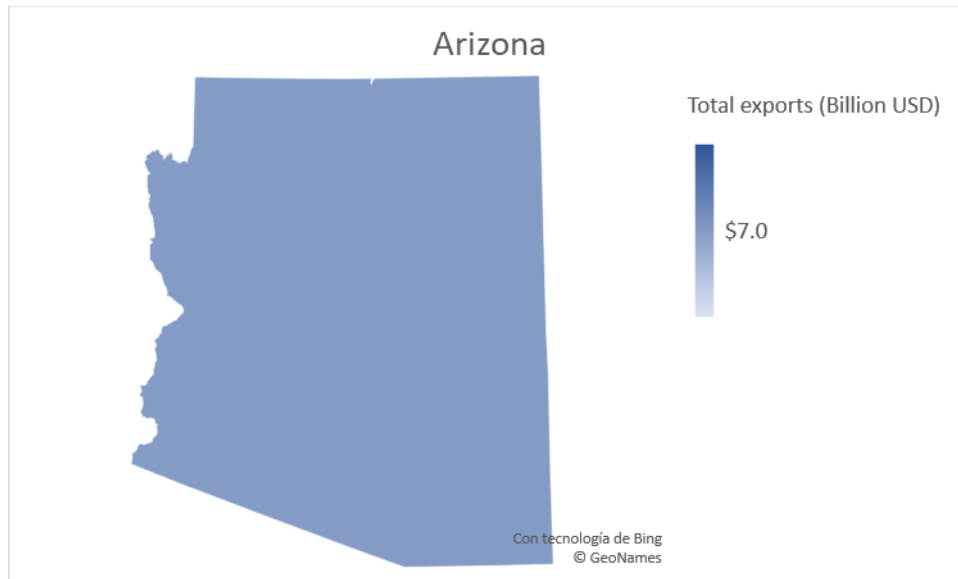
HS	Commodities	Million USD (\$)
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	527
840734	Spark-igntn Recprctng Piston Engine Etc > 1000 cc	377
870840	Gear Boxes For Motor Vehicles	375
870899	Parts And Accessories Of Motor Vehicles, Nesoi	328
870850	Drive Axles With Differential For Motor Vehicles	318
840991	Spark-ignition Int Combustion Piston Eng Pts Nesoi	284
940190	Parts Of Seats (ex Medical, Barber, Dental Etc)	146
392690	Articles Of Plastics, Nesoi	142
040690	Cheese, Nesoi, Including Cheddar And Colby	133
390120	Polyethylene Having A Spec Gravity Of 0,94 Or More	117

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
ILLINOIS**



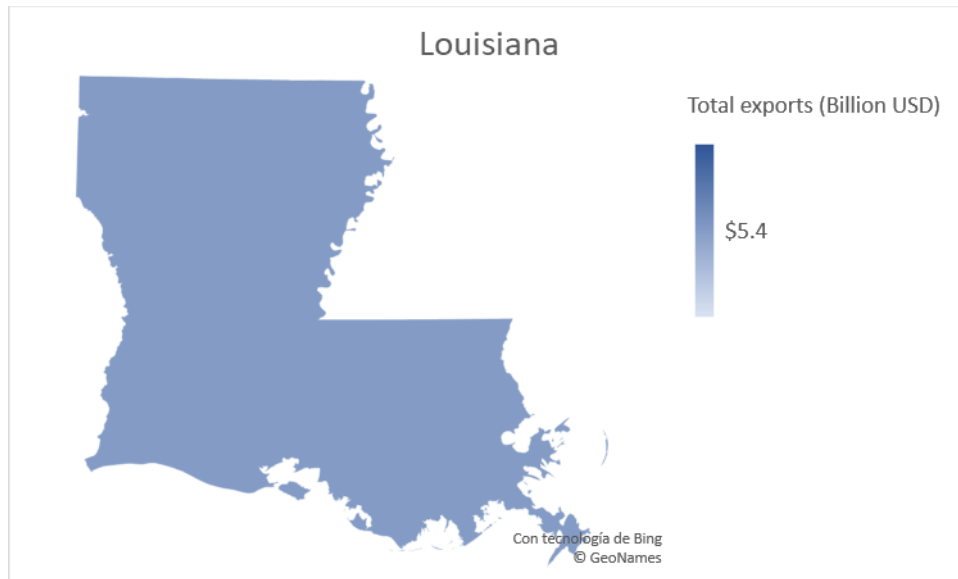
HS	Commodities	Million USD (\$)
100590	Corn (maize), Other Than Seed Corn	299
870410	Dumpers Designed For Off-highway Use	244
901890	Instr & Appl F Medical Surgical Dental Vet, Nesoi	205
392690	Articles Of Plastics, Nesoi	126
870899	Parts And Accessories Of Motor Vehicles, Nesoi	115
851762	Mach For Recp/convr/trans/regn Of Voice/image/data	105
870880	Suspension Shock Absorbers For Motor Vehicles	101
300215	Immunological Products, In Measured Doese/rtl Sale	86
732690	Articles Of Iron Or Steel Nesoi	75
401120	New Pneumatic Tires Of Rubber, For Buses Or Trucks	75

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
ARIZONA**



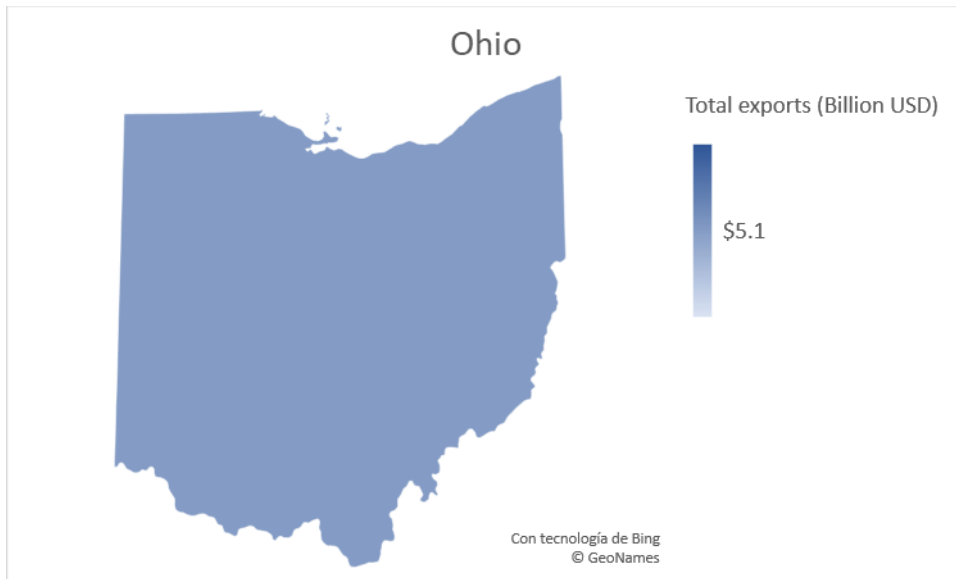
HS	Commodities	Million USD (\$)
260300	Copper Ores And Concentrates	1,300
853890	Pt F Elect Appr F Elect Cirt; F Elct Contrl Nesoi	331
854231	Processors And Controllers, Electronic Integ Cirt	285
271121	Natural Gas, Gaseous	217
880000	Civilian Aircraft, Engines, And Parts	198
854239	Electronic Integrated Circuits, Nesoi	169
851762	Mach For Recp/convr/trans/regn Of Voice/image/data	130
392690	Articles Of Plastics, Nesoi	125
853669	Elect Plugs & Sockets F Voltage Not Over 1000 V	112
853690	Elect Appr F Prtct To Elect Cirt Nov 1000 V Nesoi	104

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
LOUISIANA**



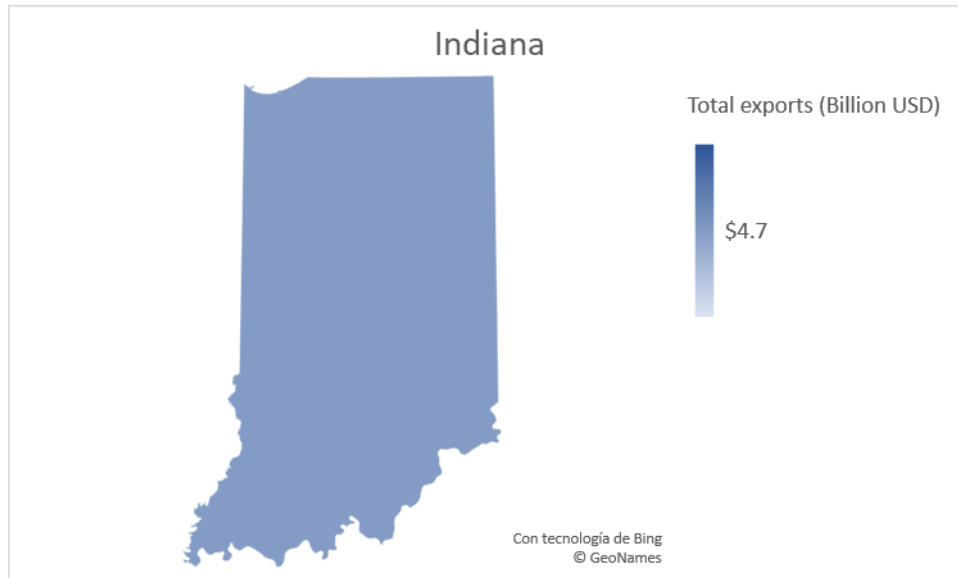
HS	Commodities	Million USD (\$)
271012	Lt Oils, Preps Gt=70% Petroleum/bitum Nt Biodiesel	1,588
271019	Petrol Oil Bitum Mineral (nt Crud) Etc Nt Biodiesl	1,155
100590	Corn (maize), Other Than Seed Corn	844
120190	Soybeans, Nesoi	271
100610	Rice In The Husk (paddy Or Rough)	133
100199	Wheat And Meslin, Nesoi	125
271111	Natural Gas, Liquefied	119
230330	Brewing Or Distilling Dregs And Waste, W/nt Pellet	38
390410	Polyvinyl Chloride, Not Mixed With Other Substance	37
390120	Polyethylene Having A Spec Gravity Of 0.94 Or More	35

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
OHIO**



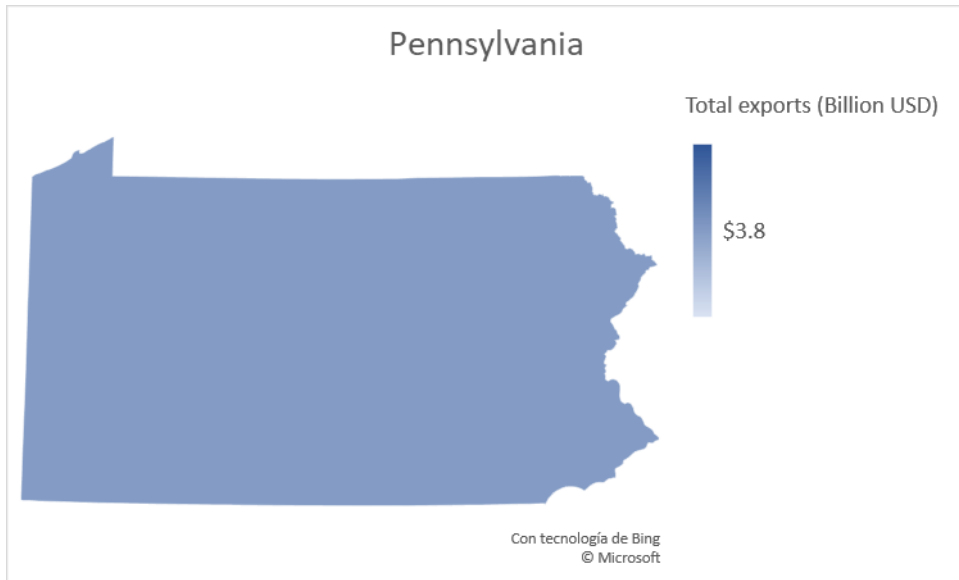
HS	Commodities	Million USD (\$)
120190	Soybeans, Nesoi	249
870322	Pass Mtr Veh,spark Ign Eng, >1000cc But =<1500cc	208
880000	Civilian Aircraft, Engines, And Parts	163
841490	Air/gas Pump, Compressor And Fan Etc Parts, Nesoi	119
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	114
870899	Parts And Accessories Of Motor Vehicles, Nesoi	113
870840	Gear Boxes For Motor Vehicles	98
870880	Suspension Shock Absorbers For Motor Vehicles	76
847170	Automatic Data Processing Storage Units, N.E.S.O.I	63
870323	Pass Veh Spk-ig Int Com Rcpr P Eng >1500 Nov 3m cc	62

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
INDIANA**



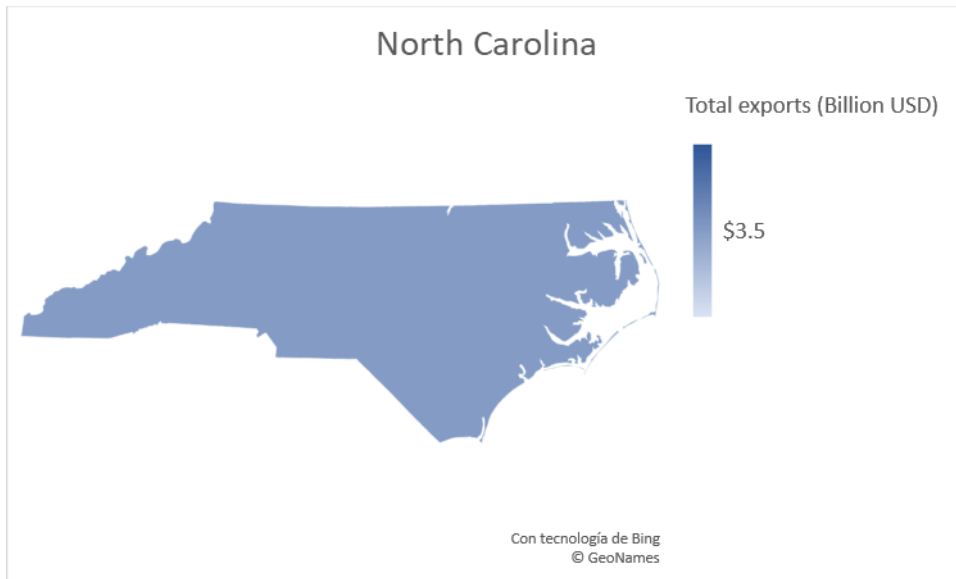
HS	Commodities	Million USD (\$)
840820	Compression-igntn Int Combustion Piston Engine Etc	1,130
870840	Gear Boxes For Motor Vehicles	764
842139	Filter/purify Machine & Apparatus For Gases Nesoi	206
760612	Aluminum Alloy Rect Plates Etc, Over .2 mm Thick	127
870899	Parts And Accessories Of Motor Vehicles, Nesoi	114
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	80
170260	Fructose, Nesoi & Syrup, Ov 50% Fructose In Dry Fm	72
870322	Pass Mtr Veh,spark Ign Eng, >1000cc But =<1500cc	49
170250	Chemically Pure Fructose In Solid Form	40
300431	Medicaments Cont Insulin, No Antibiotics, Dosage	37

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
PENNSYLVANIA**



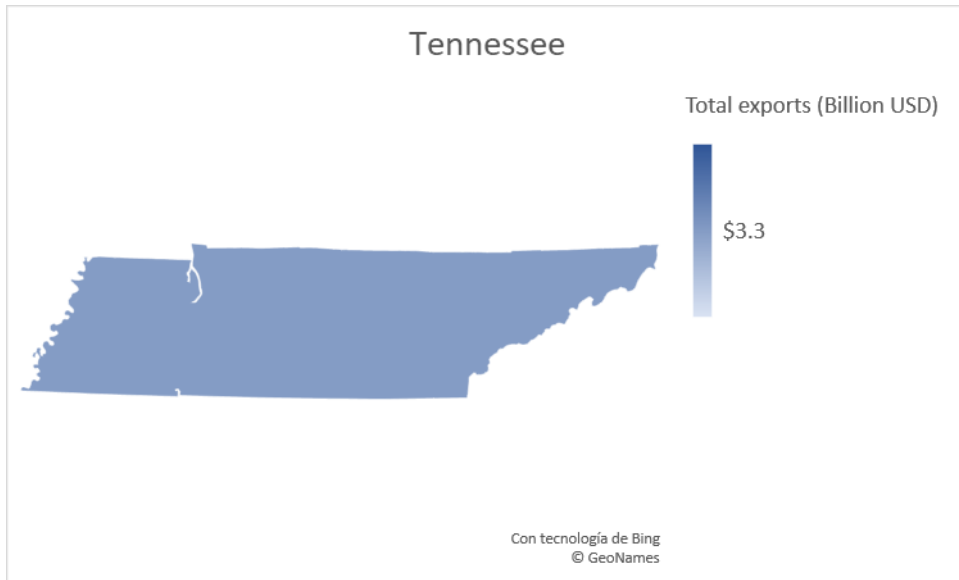
HS	Commodities	Million USD (\$)
284390	Organic Compound Precious Metal; Amalgams, Nesoi	633
853890	Pt F Elect Appr F Elect Cirt; F Elct Contrl Nesoi	161
381512	Supported Catalysts W Prec Metal/prec Mtl Compnd	109
590320	Textile Fabrics, Impregn Etc Nesoi, Polyurethane	69
851762	Mach For Recp/convr/trans/regn Of Voice/image/data	64
390210	Polypropylene, Pr Fms	60
853690	Elect Appr F Prtct To Elect Cirt Nov 1000 V Nesoi	58
760120	Unwrought Aluminum Alloys	49
870870	Road Wheels & Pts & Accessories For Motor Vehicles	45
760429	Aluminum Alloy Bars, Rods And Nonhollow Profiles	41

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
NORTH CAROLINA**



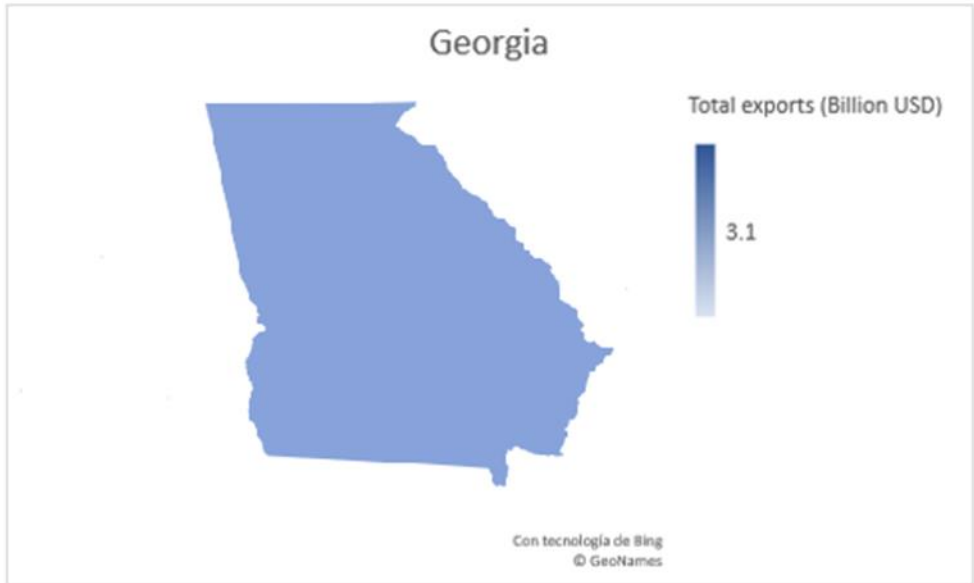
HS	Commodities	Million USD (\$)
381512	Supported Catalysts W Prec Metal/prec Mtl Compnd	487
840820	Compression-igntn Int Combustion Piston Engine Etc	247
391732	Tubes Etc, Nt Reinforced Etc, Without Fittings	89
870899	Parts And Accessories Of Motor Vehicles, Nesoi	55
284420	Uranium Enriched In U235 Etc. Plutonium Etc.	54
870850	Drive Axles With Differential For Motor Vehicles	49
240120	Tobacco, Partly Or Wholly Stemmed/stripped	46
854470	Insulated Optical Fiber Cables With Indvuly Sh Fbr	42
290531	Ethylene Glycol (ethanediol)	38
870893	Clutches And Parts Thereof For Motor Vehicles	37

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
TENNESSEE**



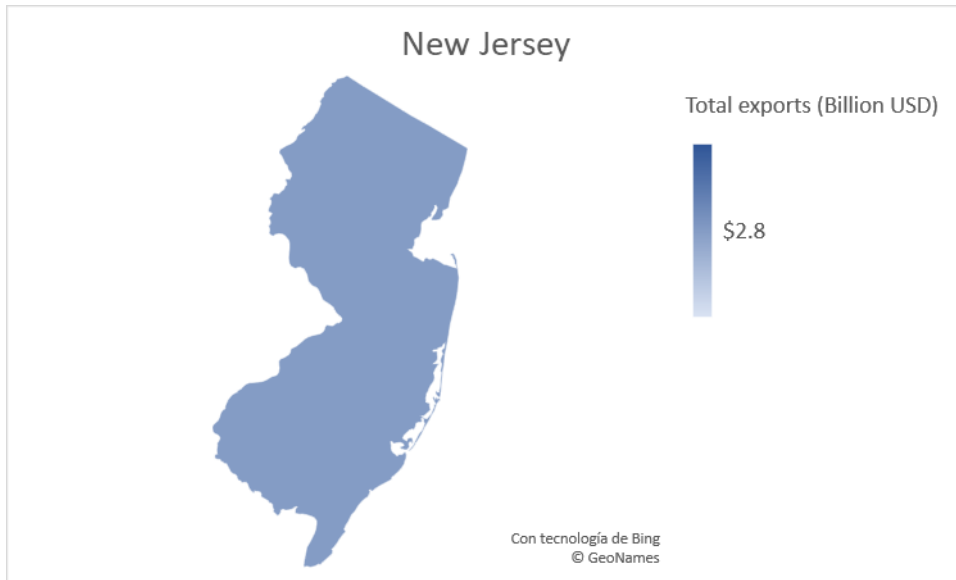
HS	Commodities	Million USD (\$)
840820	Compression-igntn Int Combustion Piston Engine Etc	196
840999	Spark-ignition Reciprocating Int Com Pistn Eng Pts	117
760711	Aluminum Foil, Nov .2mm Th, No Back, Rolled Only	86
480511	Semichemical Flutng ppr (corrugatng Med) Unctd Rll	78
842199	Filter/purify Machine & Apparatus Parts	49
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	47
870850	Drive Axles With Differential For Motor Vehicles	45
732690	Articles Of Iron Or Steel Nesoi	41
481910	Cartons, Boxes & Cases Corrugated Paper & Paperbd	39
870324	Pass Veh Spk-ig Int Com Rcpr P Eng > 3000 cc	37

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
GEORGIA**



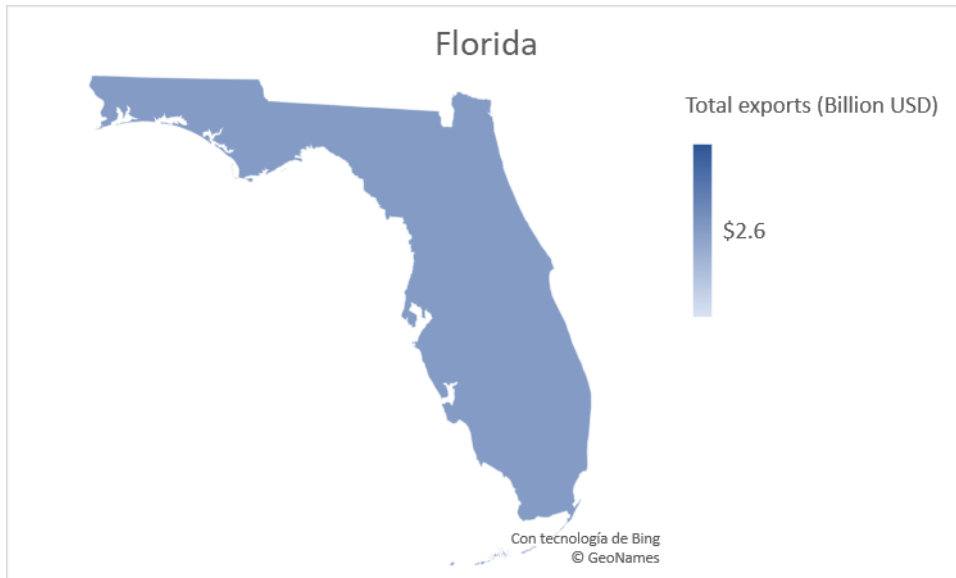
HS	Commodities	Million USD (\$)
880000	Civilian Aircraft, Engines, And Parts	296
852872	Reception Apparatus For Television, Color, Nesoi	139
841199	Gas Turbine Parts Nesoi	118
480411	Kraftliner, Uncoated Unbleached In Rolls Or Sheets	106
481032	Kraft Paper Ov150g/m2, Bleach, 95% W Fib Ch Pr Ct	94
853224	Ceramic Dielectric, Multilayer Fixed Capacitors	58
390690	Acrylic Polymers Nesoi, In Primary Forms	57
120242	Peanuts, Shelled, Nesoi	48
960820	Felt Tipped & Other Porous-tipped Pens & Markers	47
760612	Aluminum Alloy Rect Plates Etc, Over .2 mm Thick	38

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
NEW JERSEY**



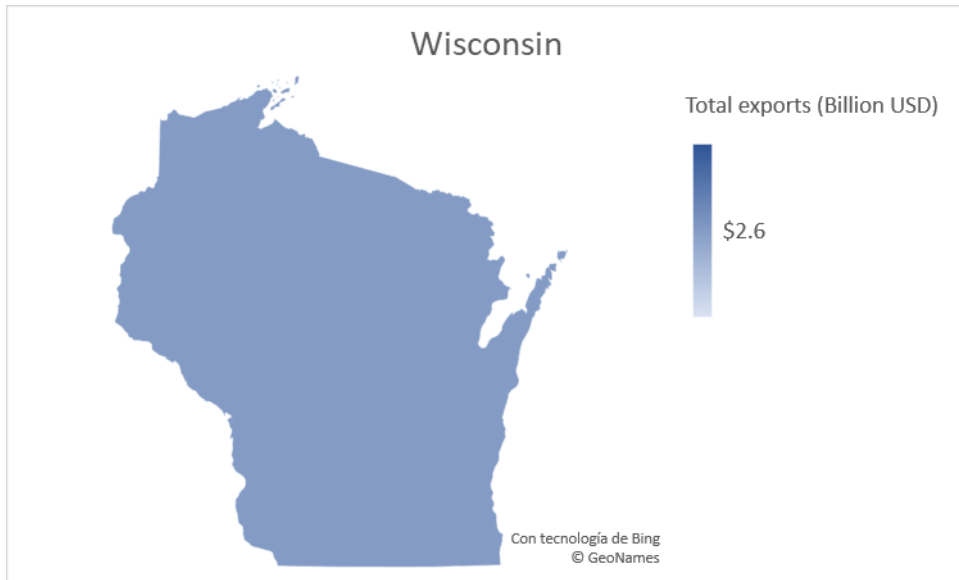
HS	Commodities	Million USD (\$)
381512	Supported Catalysts W Prec Metal/prec Mtl Compnd	247
330290	Mixtures Of Odoriferous Substances, Etc. Nesoi	228
842139	Filter/purify Machine & Apparatus For Gases Nesoi	148
902190	Oth Artifical Pts Of The Body & Pts & Accessories	88
110100	Wheat Or Meslin Flour	63
720449	Ferrous Waste & Scrap Nesoi	55
902140	Hearing Aids	50
382499	Products And Residuals Of Chemical Industry, Nesoi	49
711319	Jewelry And Parts Thereof, Of Oth Precious Metal	48
290339	Acetylene Tetrabrm;alkl Brmd;methylene Dibrm;etc	40

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
FLORIDA**



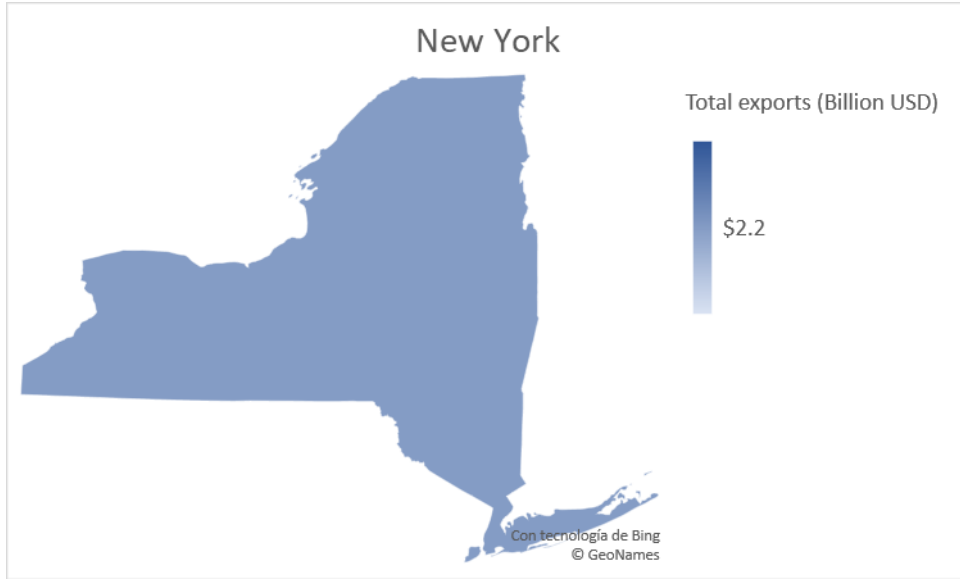
HS	Commodities	Million USD (\$)
880000	Civilian Aircraft, Engines, And Parts	345
841199	Gas Turbine Parts Nesoi	178
040210	Mlk & Crm,cntd,swt,powdr,gran/solids,nov 1.5% Fat	144
950450	Video Game Consoles & Mach, Exc Of Subhead 9504.30	142
890399	Yachts Etc For Pleas/sport Nesoi; Row Bts, Canoes	108
890392	Motorboats, Other Than Outboard Motorboats	61
480411	Kraftliner, Uncoated Unbleached In Rolls Or Sheets	41
851762	Mach For Recp/convr/trans/regn Of Voice/image/data	41
903289	Auto Regulating Ins & Appr Ex Throstat,mnstat, Etc	40
840999	Spark-ignition Reciprocating Int Com Pistn Eng Pts	38

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
WISCONSIN**



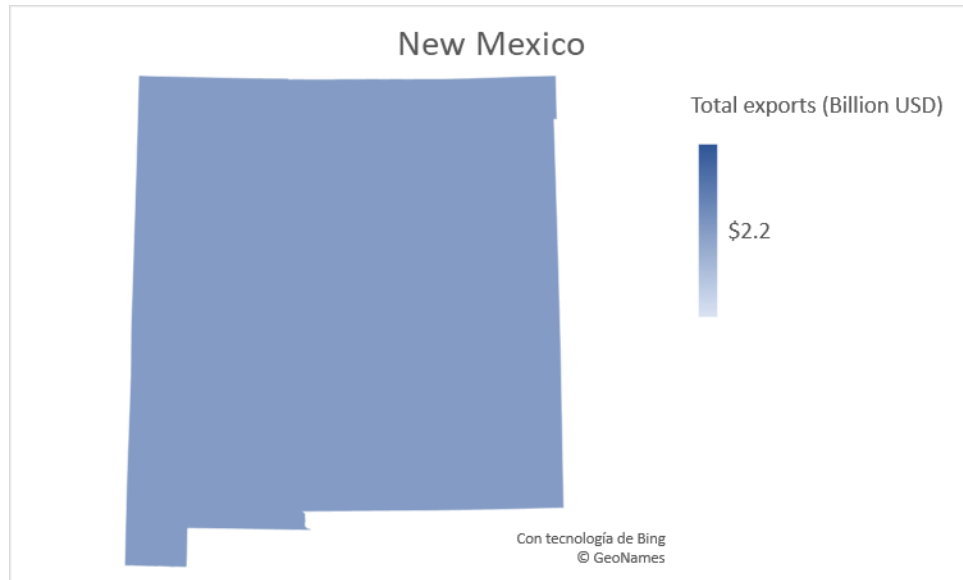
HS	Commodities	Million USD (\$)
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	99
870899	Parts And Accessories Of Motor Vehicles, Nesoi	77
392690	Articles Of Plastics, Nesoi	74
840991	Spark-ignition Int Combustion Piston Eng Pts Nesoi	68
902890	Pt Acces Gas Lqd Elec Supply Mtr Inc Clbrating Mtr	65
732690	Articles Of Iron Or Steel Nesoi	63
870850	Drive Axles With Differential For Motor Vehicles	53
842139	Filter/purify Machine & Apparatus For Gases Nesoi	42
870880	Suspension Shock Absorbers For Motor Vehicles	41
854810	Waste & Scrap Of Batteries;spent Batteries & Cells	39

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
NEW YORK**



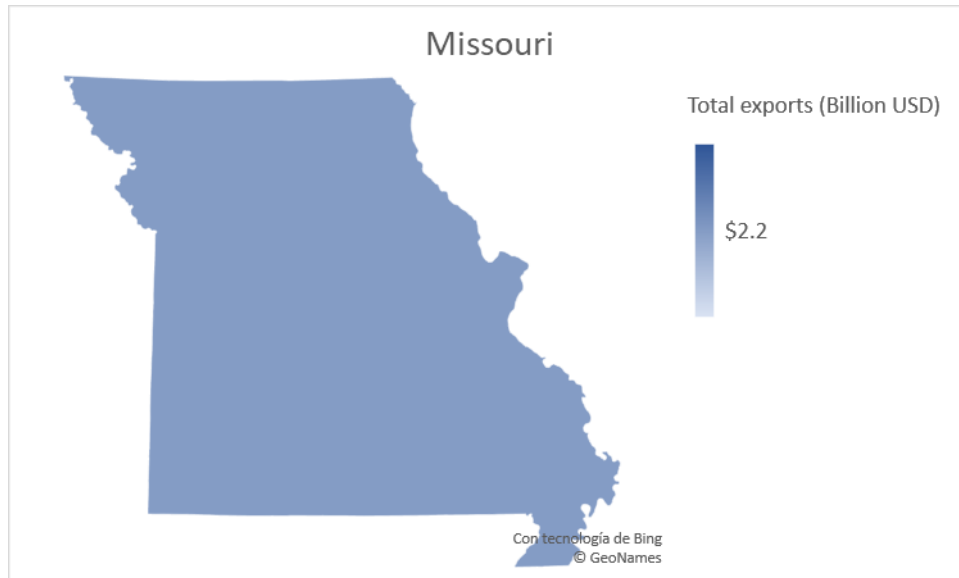
HS	Commodities	Million USD (\$)
840820	Compression-igntn Int Combustion Piston Engine Etc	341
740319	Unwrought Refined Copper Nesoi	157
854231	Processors And Controllers, Electronic Integ Cirt	129
390120	Polyethylene Having A Spec Gravity Of 0.94 Or More	46
710239	Diamonds, Nonindustrial, Worked	41
731512	Artcltd Lnk Chain Nt Rllr Chain, Iron Or Steel	31
392690	Articles Of Plastics, Nesoi	29
847150	Digital Processing Units, N.E.S.O.I.	26
848390	Toothed Wheels, chain Sprockets&oth Trans Elem; Pts	23
970110	Paintings, Drawing And Pastels By Hand	22

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
NEW MEXICO**



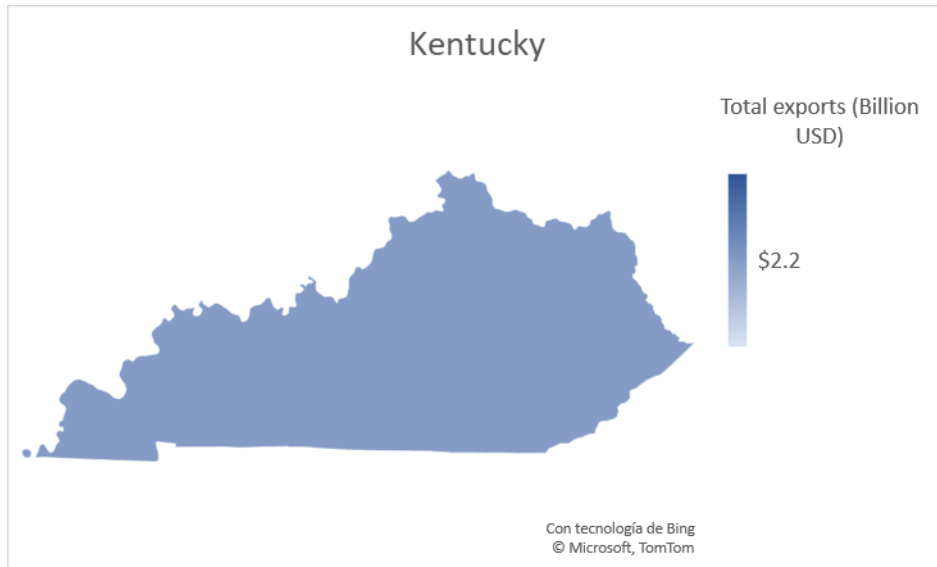
HS	Commodities	Million USD (\$)
847330	Parts & Accessories For Adp Machines & Units	898
854231	Processors And Controllers, Electronic Integ Circ	142
271119	Petroleum Gases Etc., Liquefied, Nesoi	81
852351	Solid-state Non-vol Semiconductor Storage Devices	74
040690	Cheese, Nesoi, Including Cheddar And Colby	58
847170	Automatic Data Processing Storage Units, N.E.S.O.I	48
392690	Articles Of Plastics, Nesoi	47
850440	Static Converters; Adp Power Supplies	32
841330	Fuel, Lub/cooling Med Pumps For Int Comb Pistn Eng	32
732690	Articles Of Iron Or Steel Nesoi	28

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
MISSOURI**



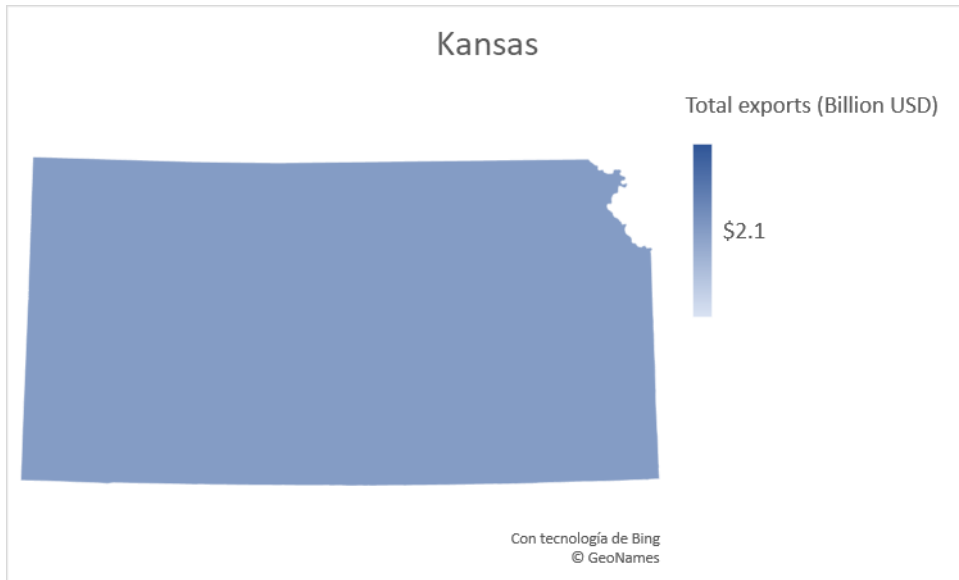
HS	Commodities	Million USD (\$)
120190	Soybeans, Nesoi	266
230400	Soybean Oilcake & Oth Solid Residue, Wh/not Ground	160
100590	Corn (maize), Other Than Seed Corn	158
040210	Mlk & Crm,cntd,swt,powdr,gran/solids,nov 1.5% Fat	109
870431	Mtr Veh Trans Gds Spk Ig In C P Eng, Gvw Nov 5 Mtn	67
230910	Dog And Cat Food, Put Up For Retail Sale	64
271019	Petrol Oil Bitum Mineral (nt Crud) Etc Nt Biodiesl	63
853890	Pt F Elect Appr F Elect Cirt; F Elct Contrl Nesoi	37
380893	Herbcd, Antisprout. Prod. & Plant-grwth Reg. Nesoi	33
761699	Articles Of Aluminum, N.E.S.O.I.	23

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
KENTUCKY**



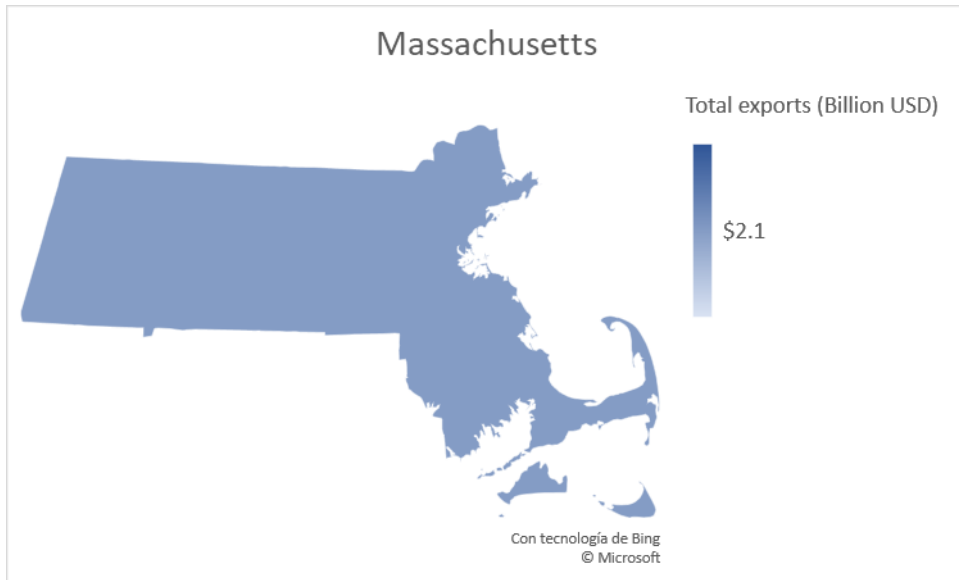
HS	Commodities	Million USD (\$)
880000	Civilian Aircraft, Engines, And Parts	131
850131	Dc Motors & Generators W Output N Ov 750 W	101
854231	Processors And Controllers, Electronic Integ Cirt	71
870899	Parts And Accessories Of Motor Vehicles, Nesoi	69
852351	Solid-state Non-vol Semiconductor Storage Devices	69
870894	Steering Wheels, Columns & Boxes F Motor Vehicles	67
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	61
847330	Parts & Accessories For Adp Machines & Units	55
870432	Mtr Veh Trans Gds Spk-ig In C P Eng, Gvw > 5 M Tn	53
760120	Unwrought Aluminum Alloys	51

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
KANSAS**



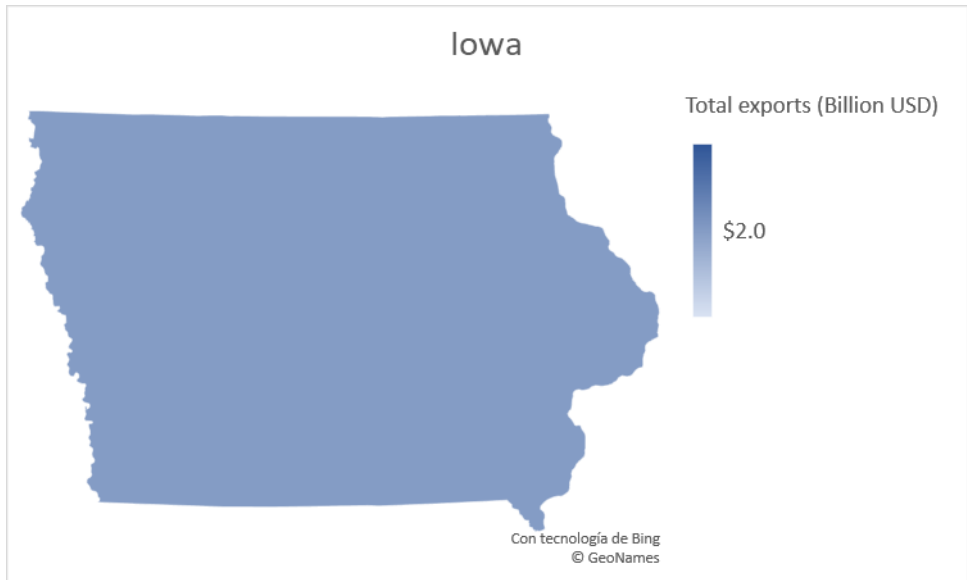
HS	Commodities	Million USD (\$)
120190	Soybeans, Nesoi	372
100199	Wheat And Meslin, Nesoi	347
100590	Corn (maize), Other Than Seed Corn	268
020130	Meat Of Bovine Animals, Boneless, Fresh Or Chilled	124
880000	Civilian Aircraft, Engines, And Parts	100
283620	Disodium Carbonate	69
150210	Tallow Of Bovine Animals, Sheep Or Goats, Nesoi	67
020312	Meat, Swine, Hams, Shldrs, Bone In, Frsh Or Chlld	58
040210	Milk & Crm,cntd,swt,powdr,gran/solids,nov 1.5% Fat	37
100790	Grain Sorghum, Nesoi	37

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
MASSACHUSETTS**



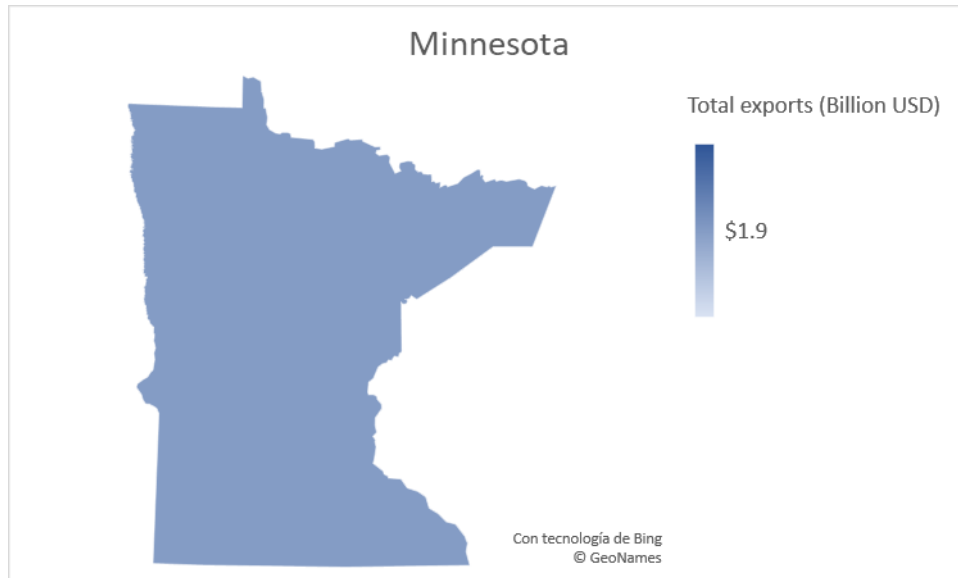
HS	Commodities	Million USD (\$)
854231	Processors And Controllers, Electronic Integ Cirtc	405
853690	Elect Appr F Prtct To Elect Cirtc Nov 1000 V Nesoi	83
853890	Pt F Elect Appr F Elect Cirtc; F Elct Contrl Nesoi	73
901890	Instr & Appl F Medical Surgical Dental Vet, Nesoi	54
853620	Auto Circuit Breakers Voltage Not Exceeding 1000 V	44
390599	Vinyl Polymers In Primary Forms, N.E.S.O.I.	40
850650	Primary Cells And Batteries, Lithium	35
853224	Ceramic Dielectric, Multilayer Fixed Capacitors	23
842129	Filter/purify Machine & Apparatus For Liquid Nesoi	22
382200	Composite Diagnostic/lab Reagents, Exc Pharmaceut	21

TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
IOWA



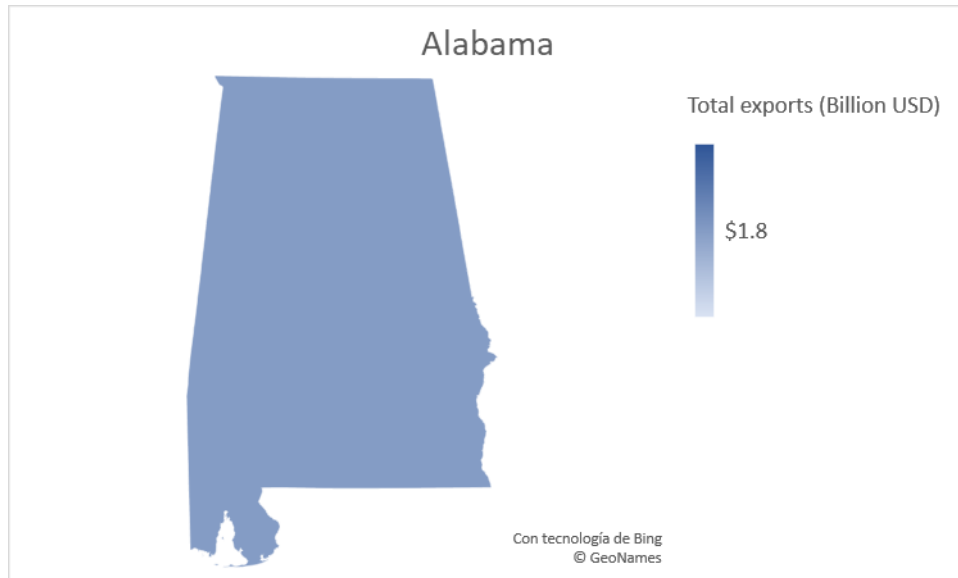
HS	Commodities	Million USD (\$)
230400	Soybean Oilcake & Oth Solid Residue, Wh/not Ground	231
230330	Brewing Or Distilling Dregs And Waste, W/nt Pellet	152
170260	Fructose, Nesoi & Syrup, Ov 50% Fructose In Dry Fm	79
850450	Electrical Inductors Nesoi	39
732690	Articles Of Iron Or Steel Nesoi	30
020312	Meat, Swine, Hams, Shldrs, Bone In, Frsh Or Chlld	30
170230	Glucose (dextrose), Under 20% Fructose In Dry Form	29
150210	Tallow Of Bovine Animals, Sheep Or Goats, Nesoi	28
020319	Meat Of Swine, Nesoi, Fresh Or Chilled	26
150790	Soybean Oil, Refined, And Fractions, Not Modified	25

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
MINNESOTA**



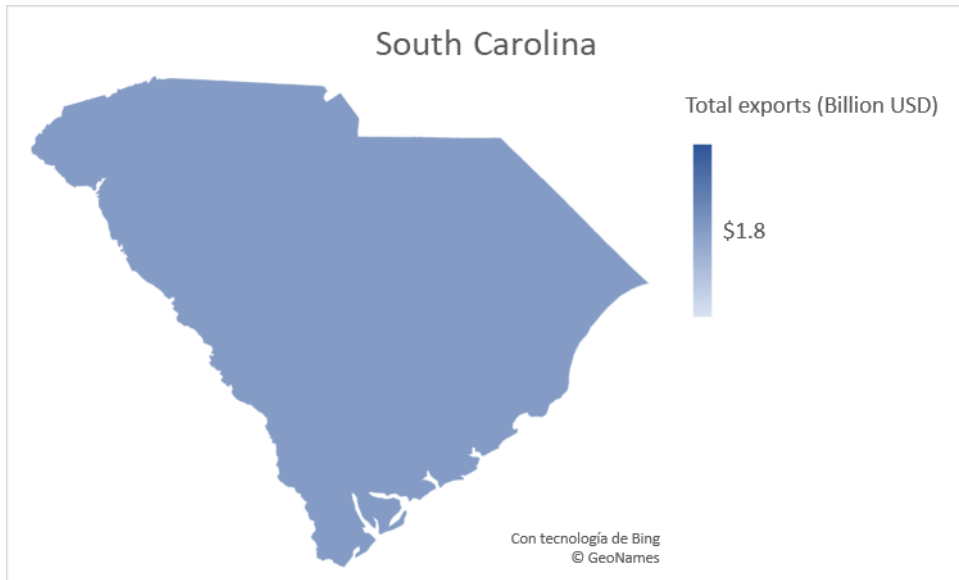
HS	Commodities	Million USD (\$)
230400	Soybean Oilcake & Oth Solid Residue, Wh/not Ground	80
870880	Suspension Shock Absorbers For Motor Vehicles	70
850980	Electromech Domestic Appl Slf-cont Electr Mtr Nesoi	60
840991	Spark-ignition Int Combustion Piston Eng Pts Nesoi	45
100590	Corn (maize), Other Than Seed Corn	44
870899	Parts And Accessories Of Motor Vehicles, Nesoi	40
110710	Malt, Not Roasted	37
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	36
830230	Oth Bs Metl Mountngs Fttngs Etc For Motor Vehicles	35
870850	Drive Axles With Differential For Motor Vehicles	32

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
ALABAMA**



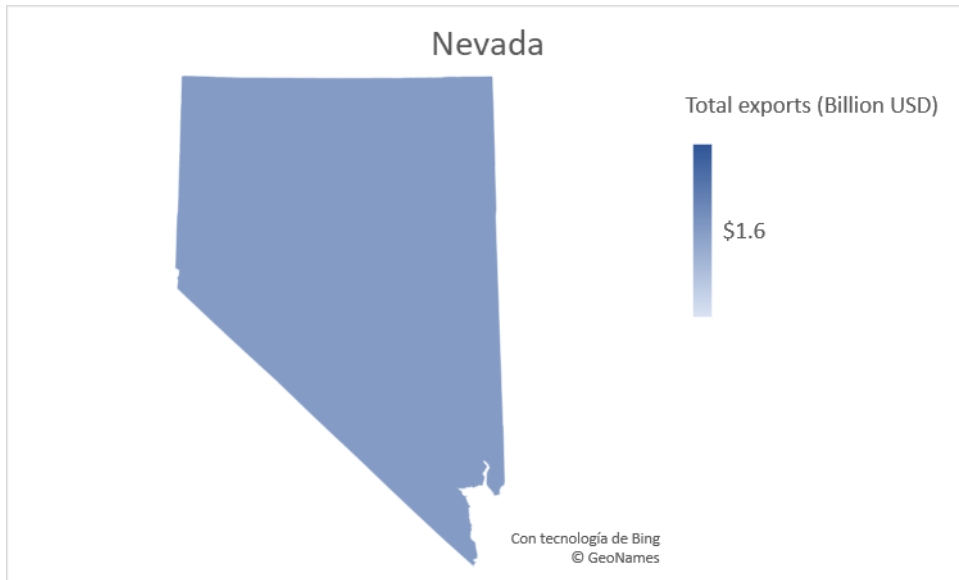
HS	Commodities	Million USD (\$)
840820	Compression-igntn Int Combustion Piston Engine Etc	105
870323	Pass Veh Spk-ig Int Com Rcpr P Eng >1500 Nov 3m cc	90
880000	Civilian Aircraft, Engines, And Parts	73
722592	Flt-rld Alloy Stl Nesoi 600ao Plt/ctd Zinc Nt Elct	63
841391	Parts Of Pumps For Liquids	52
720851	Flt-hot-roll Irn,nonaly St,not Coil>10mm Thk,nesoi	47
271019	Petrol Oil Bitum Mineral (nt Crud) Etc Nt Biodiesl	46
760612	Aluminum Alloy Rect Plates Etc, Over .2 mm Thick	46
722599	Flt-rld Alloy Steel Nt Stainless 600mm Ao W Nesoi	43
721049	Fr Ir/nas Ctd/pltd W Zinc Nt Elec Nt Corr 600mm Om	43

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
SOUTH CAROLINA**



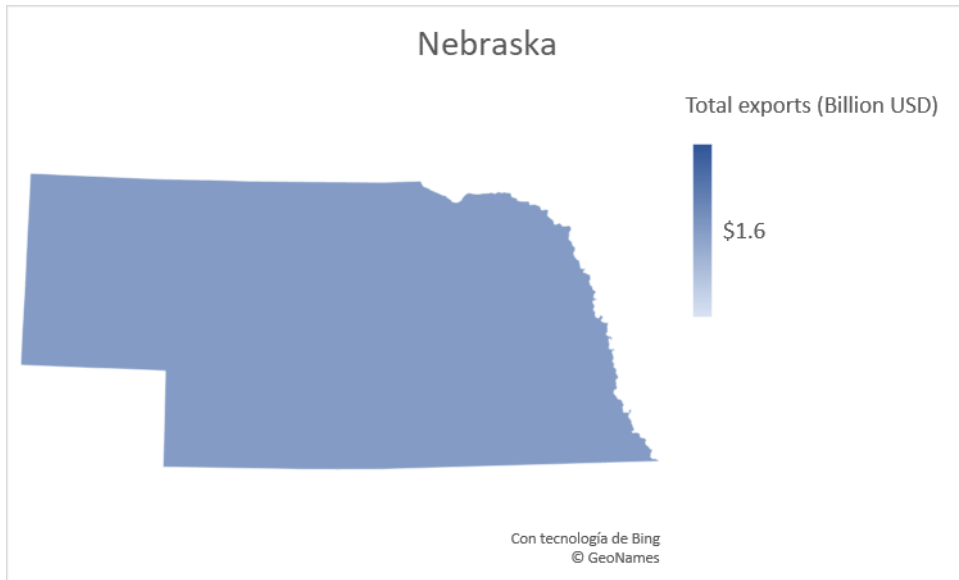
HS	Commodities	Million USD (\$)
852721	Radiobroadcast Receivers For Motor Vehicles W Rcos	90
853890	Pt F Elect Appr F Elect Cirt; F Elct Contrl Nesoi	81
870323	Pass Veh Spk-ig Int Com Rcpr P Eng >1500 Nov 3m cc	78
401120	New Pneumatic Tires Of Rubber, For Buses Or Trucks	57
401110	New Pneumatic Tires Of Rubber, For Motor Cars	57
870324	Pass Veh Spk-ig Int Com Rcpr P Eng > 3000 cc	37
392630	Fittings For Furniture, Coachwork Etc, Of Plastics	35
840991	Spark-ignition Int Combustion Piston Eng Pts Nesoi	34
870360	Mtr Veh, Sp-ig And Electric Motor, Charged By Plug	33
590390	Textile Fabrics, Impregn Etc Nesoi, Plastics Nesoi	29

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
NEVADA**



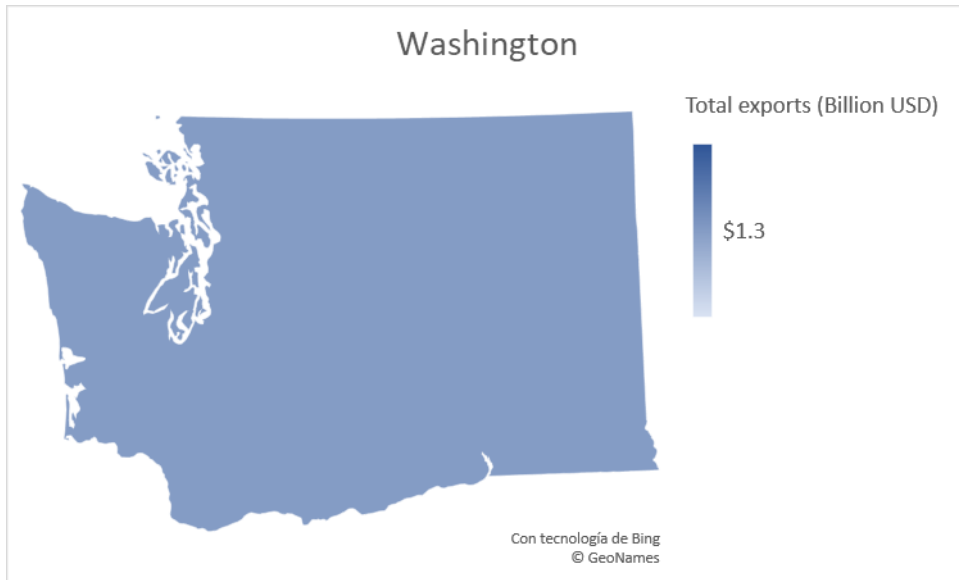
HS	Commodities	Million USD (\$)
847330	Parts & Accessories For Adp Machines & Units	457
852351	Solid-state Non-vol Semiconductor Storage Devices	201
854239	Electronic Integrated Circuits, Nesoi	78
851712	Phones For Cellular Ntwks Or For Oth Wireless Ntwk	38
854232	Memories, Electronic Integrated Circuits	33
847170	Automatic Data Processing Storage Units, N.E.S.O.I	31
950430	Games Coin-/token-operated Exc Bowling Alley Nesoi	19
260300	Copper Ores And Concentrates	17
901920	Ozone,oxygen,etc Therapy, Respiration Apparatus,pt	13
851762	Mach For Recp/convr/trans/regn Of Voice/image/data	8

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
NEBRASKA**



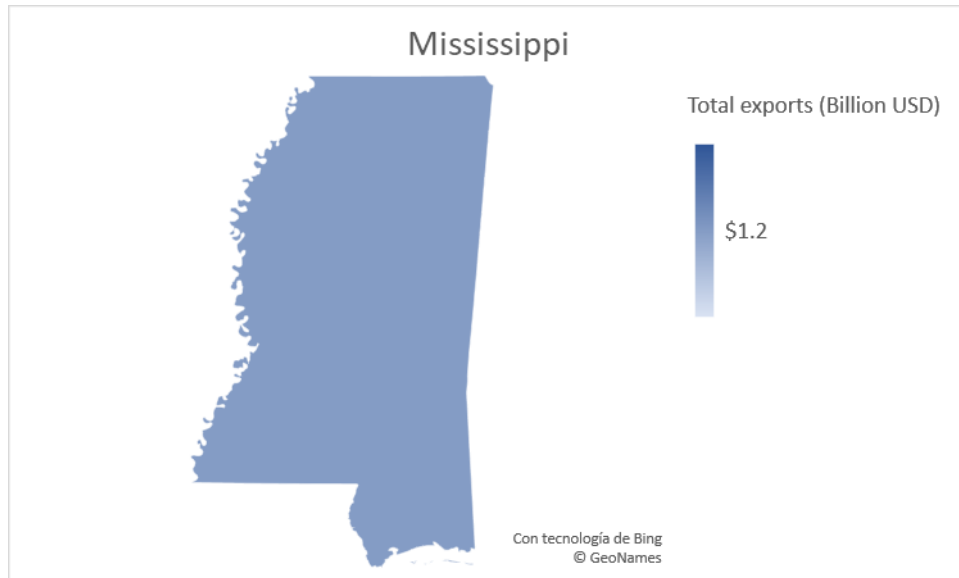
HS	Commodities	Million USD (\$)
120190	120190 Soybeans, Nesoi	497
100590	100590 Corn (maize), Other Than Seed Corn	429
230400	230400 Soybean Oilcake & Oth Solid Residue, Wh/not Ground	148
170260	170260 Fructose, Nesoi & Syrup, Ov 50% Fructose In Dry Fm	122
020130	020130 Meat Of Bovine Animals, Boneless, Fresh Or Chilled	103
901831	901831 Syringes, With Or Without Needles; Pts & Access	38
050400	050400 Animal (not Fish) Guts, Bladders, Stomachs & Parts	19
230330	230330 Brewing Or Distilling Dregs And Waste, W/nt Pellet	14
300230	300230 Vaccines For Vetrinary Medicine	14
020629	020629 Offal Of Bovine Animals, Edible, Nesoi, Frozen	13

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
WASHINGTON**



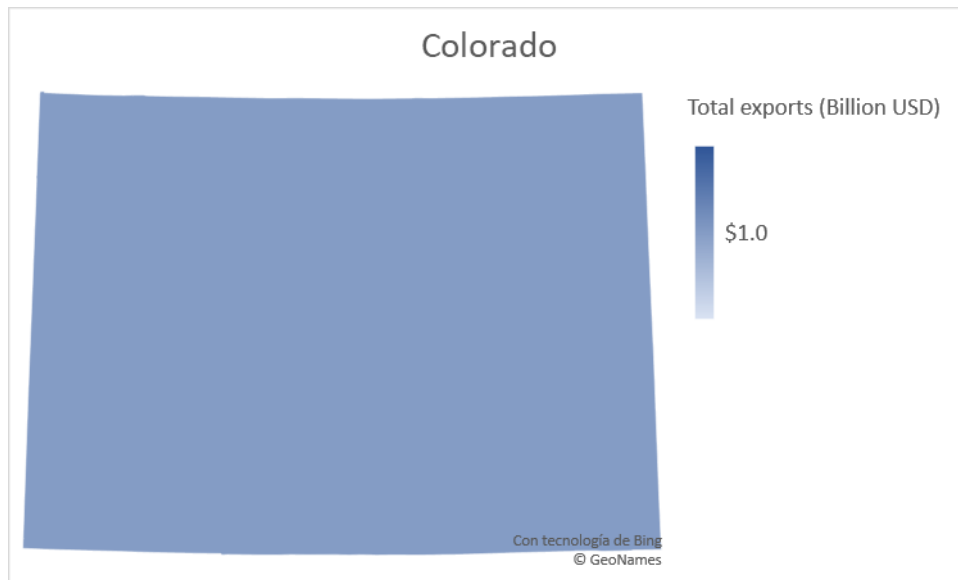
HS	Commodities	Million USD (\$)
271019	271019 Petrol Oil Bitum Mineral (nt Crud) Etc Nt Biodiesl	455
080810	080810 Apples, Fresh	114
271012	271012 Lt Oils, Preps Gt=70% Petroleum/bitum Nt Biodiesel	51
200410	200410 Potatoes, Prepared Etc., No Vinegar Etc., Frozen	38
870899	870899 Parts And Accessories Of Motor Vehicles, Nesoi	35
040210	040210 Mlk & Crm,cntd,swt,powdr,gran/solids,nov 1.5% Fat	30
853710	853710 Controls Etc W Elect Appr F Elect Cont Nov 1000 V	23
842139	842139 Filter/purify Machine & Apparatus For Gases Nesoi	16
870892	870892 Mufflers And Exhaust Pipes For Motor Vehicles	16
760120	760120 Unwrought Aluminum Alloys	15

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
MISSISSIPPI**



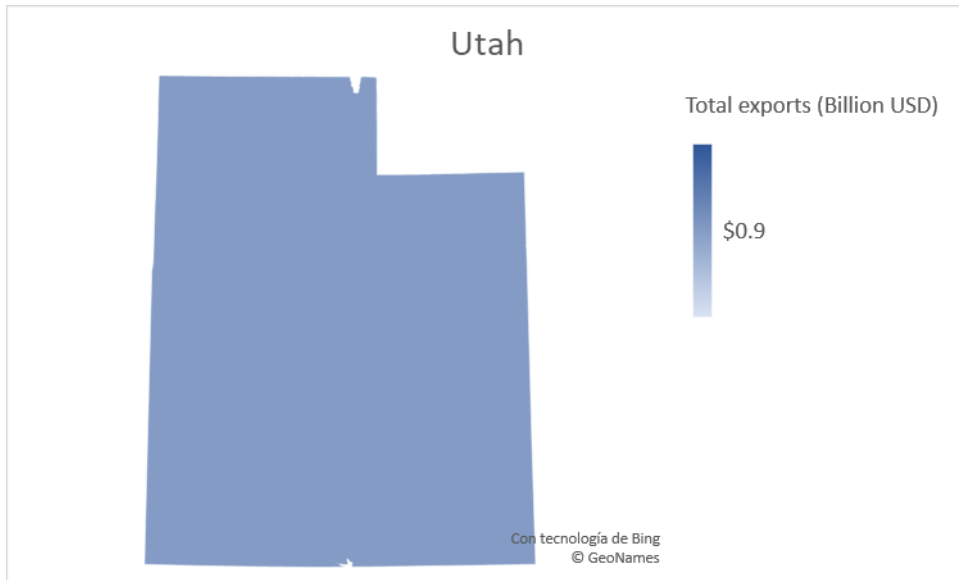
HS	Commodities	Million USD (\$)
320611	Pigmnts/preps Cont =>80% Titanium Dioxide, Dry Wt	181
271019	Petrol Oil Bitum Mineral (nt Crud) Etc Nt Biodiesl	97
283711	Cyanides And Cyanide Oxides Of Sodium	69
721049	Fr Ir/nas Ctd/pltd W Zinc Nt Elec Nt Corr 600mm Om	68
470321	Chemical Woodpulp, Soda Etc. N Dis S Bl & Bl Conif	57
854231	Processors And Controllers, Electronic Integ Cirt	41
840820	Compression-igntn Int Combustion Piston Engine Etc	36
020713	Chicken Cuts & Edible Offal (incl Liver) Frsh/chld	35
721070	Fr Ir/nas 600mm W Om, Painted, Varnished, Plastic	32
720827	Flt-hot-rol Irn,noaly Stl,coil,pk,<3mm Thick,nesoi	32

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
COLORADO**



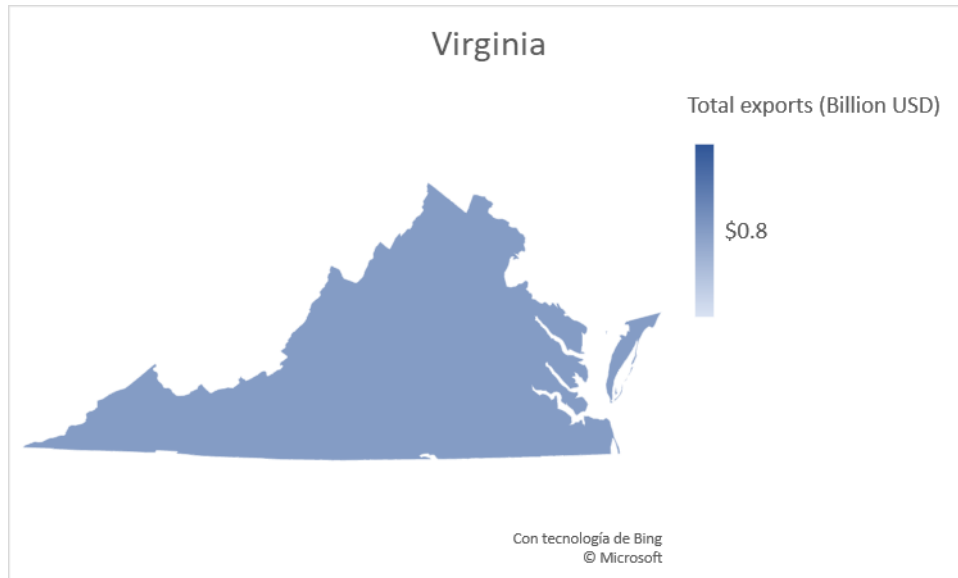
HS	Commodities	Million USD (\$)
020130	Meat Of Bovine Animals, Boneless, Fresh Or Chilled	106
020312	Meat, Swine, Hams, Shldrs, Bone In, Frsh Or Chlld	79
880000	Civilian Aircraft, Engines, And Parts	77
760612	Aluminum Alloy Rect Plates Etc, Over .2 mm Thick	60
731010	Tanks Etc, Capacity Notun50notov300 Liter, Ir & St	42
761290	Casks Etc, Not Over 300 Liter Cap Nesoi, Aluminum	38
731029	Tanks Csk Drms Cns Bxs Etc los Nesoi Und 50 Ltr	33
392690	Articles Of Plastics, Nesoi	24
760691	Aluminum Nonalloy Plates Etc, Ov .2mm Thick, Nesoi	23
020713	Chicken Cuts & Edible Offal (incl Liver) Frsh/chld	20

TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
UTAH



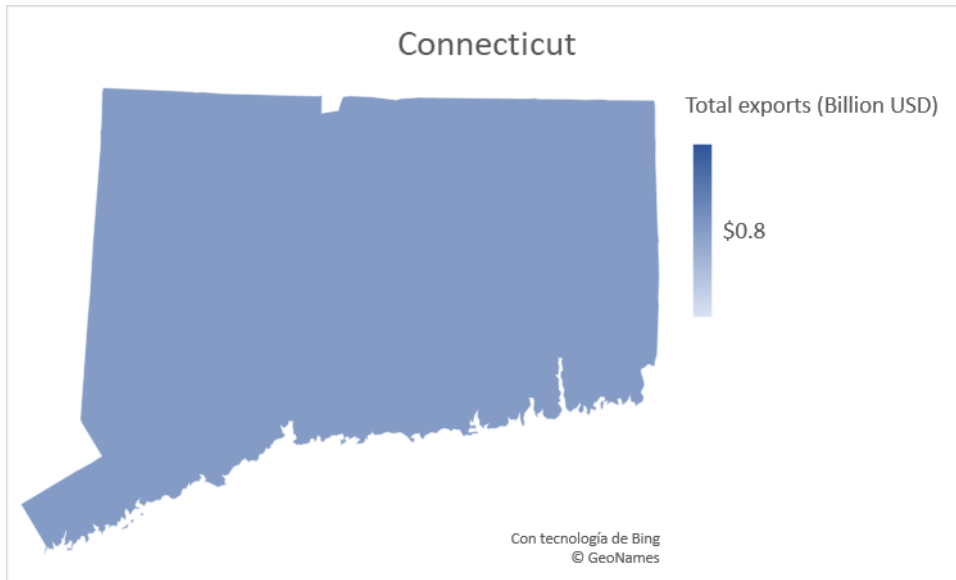
HS	Commodities	Million USD (\$)
870895	Safety Airbags With Inflator System; Parts Thereof	99
847330	Parts & Accessories For Adp Machines & Units	78
261390	Molybdenum Ores And Concentrates Not Roasted	62
870894	Steering Wheels, Columns & Boxes F Motor Vehicles	56
852351	Solid-state Non-vol Semiconductor Storage Devices	48
853710	Controls Etc W Elect Appr F Elect Cont Nov 1000 V	36
851762	Mach For Recp/convr/trans/regn Of Voice/image/data	32
210690	Food Preparations Nesoi	26
901831	Syringes, With Or Without Needles; Pts & Access	25
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	20

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
VIRGINIA**



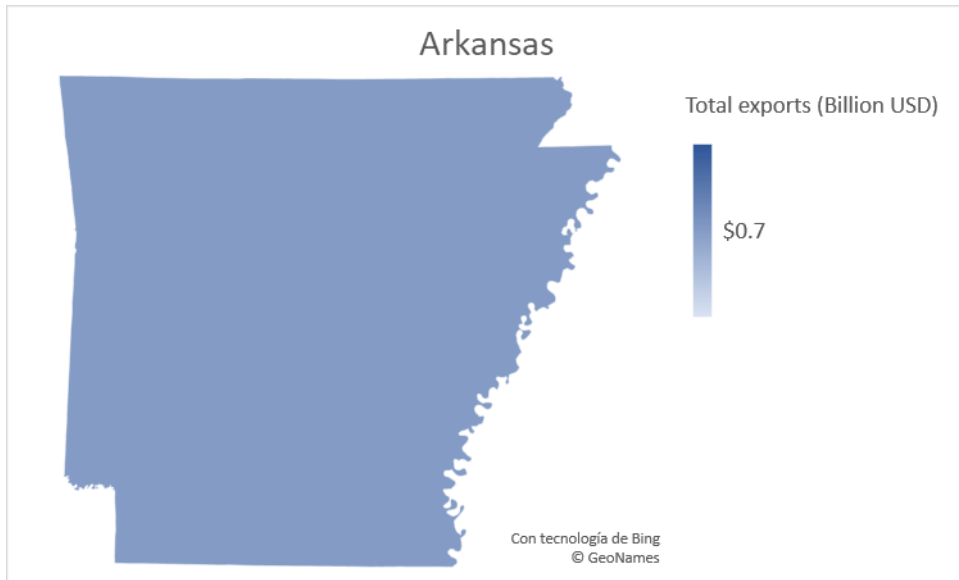
HS	Commodities	Million USD (\$)
844399	Pts & Acc Of Printers, Copiers And Fax Mach, Nesoi	57
381121	Additive For Lub Oil Cont Petro/bituminous Minoil	32
020312	Meat, Swine, Hams, Shldrs, Bone In, Frsh Or Chlld	28
761699	Articles Of Aluminum, N.E.S.O.I.	28
120242	Peanuts, Shelled, Nesoi	24
840991	Spark-ignition Int Combustion Piston Eng Pts Nesoi	21
560312	Nonwovens, Of mmf Weighing > 25 G/m2 But < 70 G/m2	21
870120	Road Tractors For Semi-trailers	19
390799	Polyesters Nesoi, Unsaturated, Pr Fms	18
392049	Polymers Of Vinyl Chloride, Nesoi	18

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
CONNECTICUT**



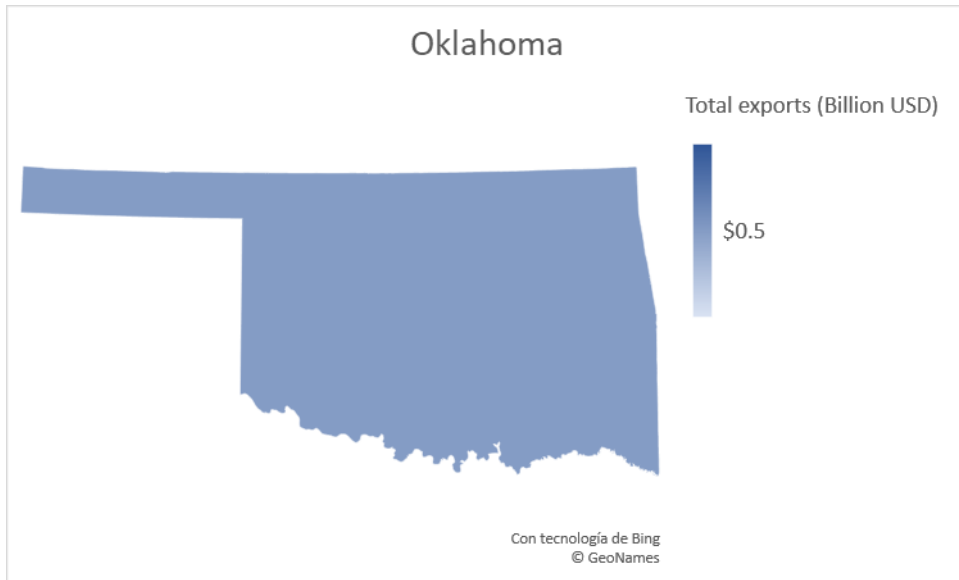
HS	Commodities	Million USD (\$)
950300	Tricycle, Scootr, Pedal Car & Sim Wheeled Tys; Etc	97
283620	Disodium Carbonate	93
720449	Ferrous Waste & Scrap Nesoi	37
841199	Gas Turbine Parts Nesoi	19
690919	Ceramic Wares For Laboratory Etc Use Nesoi	18
470329	Chem Woodpulp, Soda Etc, N Dis S BI & BI Nonconif	18
880000	Civilian Aircraft, Engines, And Parts	17
870850	Drive Axles With Differential For Motor Vehicles	12
360300	Safety Fuses; Detonating Fuse; Percussion Caps Etc	10
850110	Electric Motors Of An Output Not Exceeding 37.5 W	10

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
ARKANSAS**



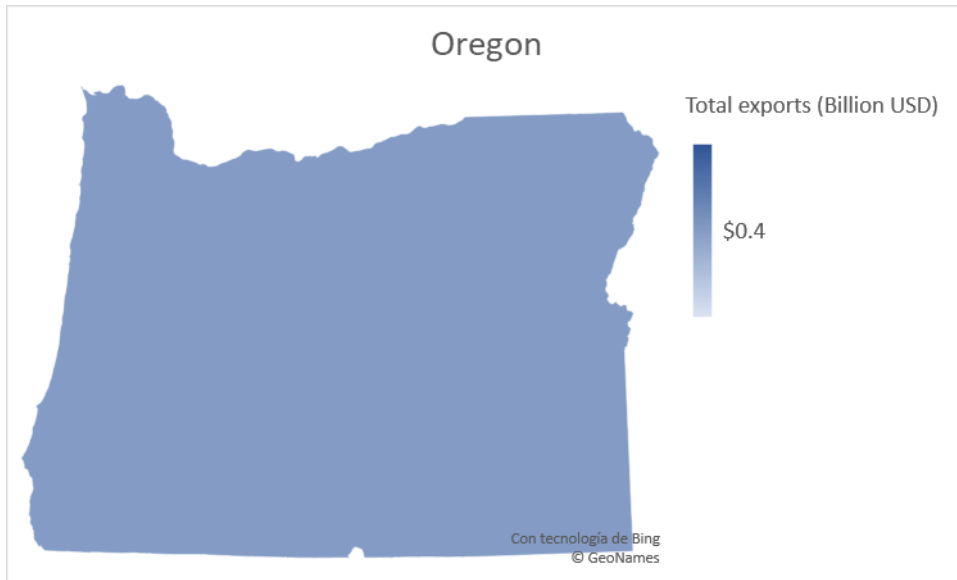
HS	Commodities	Million USD (\$)
040711	Eggs Of Chickens, Fertilized For Incubation	113
020713	Chicken Cuts & Edible Offal (incl Liver) Frsh/chld	51
271012	Lt Oils, Preps Gt=70% Petroleum/bitum Nt Biodiesel	45
470329	Chem Woodpulp, Soda Etc, N Dis S BI & BI Nonconif	27
020714	Chicken Cuts And Edible Offal (inc Livers), Frozen	24
100610	Rice In The Husk (paddy Or Rough)	22
870880	Suspension Shock Absorbers For Motor Vehicles	17
721070	Fr Ir/nas 600mm W Om, Painted, Varnished, Plastic	14
160231	Prepared Or Preserved Turkey Meat, Nesoi	13
760120	Unwrought Aluminum Alloys	13

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
OKLAHOMA**



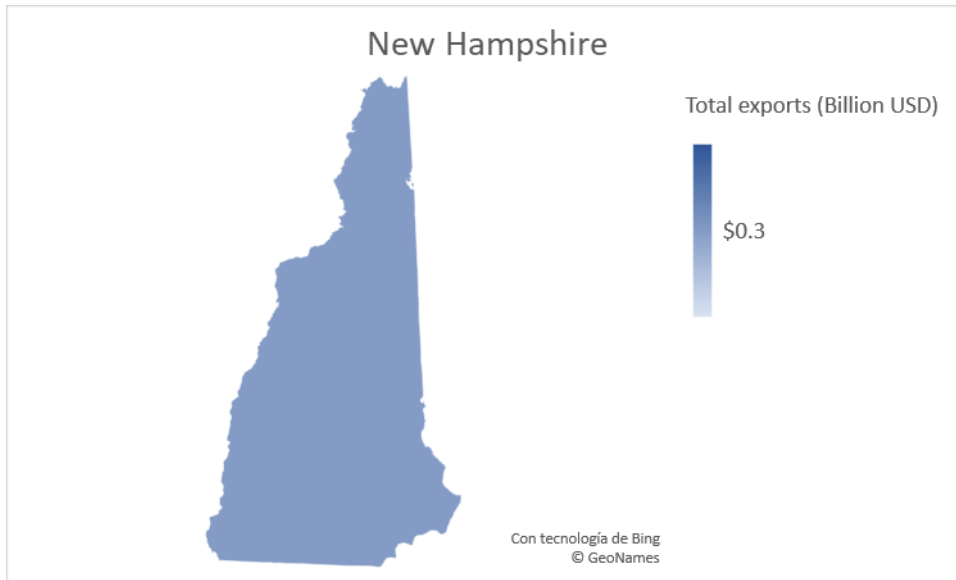
HS	Commodities	Million USD (\$)
100199	100199 Wheat And Meslin, Nesoi	67
381512	381512 Supported Catalysts W Prec Metal/prec Mtl Compnd	42
880000	880000 Civilian Aircraft, Engines, And Parts	20
870850	870850 Drive Axles With Differential For Motor Vehicles	14
120190	120190 Soybeans, Nesoi	12
841989	841989 Machine Etc For Mat'l Treatment By Temp Cont Nesoi	12
901480	901480 Navigational Instruments And Appliances, Nesoi	10
392010	392010 Plates, Sheets Etc, Non-cell Etc, Polymer	10
841391	841391 Parts Of Pumps For Liquids	10
392690	392690 Articles Of Plastics, Nesoi	9

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
OREGON**



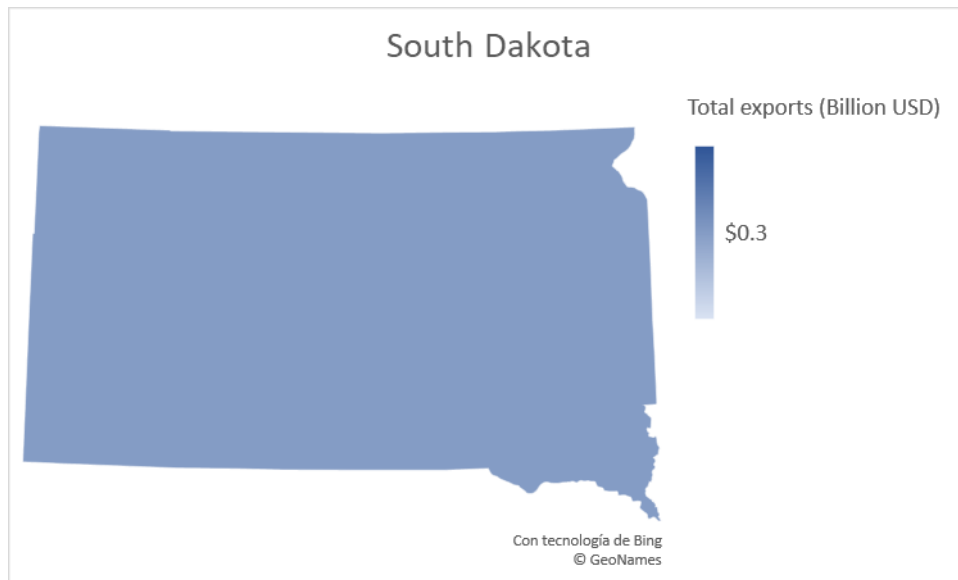
HS	Commodities	Million USD (\$)
842482	Mech Aps For Ag/hort For Project/spray/etc, Nesoi	40
860691	Railway Or Trmwy Cars, Covered, Closed Nesoi	26
860610	Railway Or Tramway Tank Cars Not Self-propelled	26
392010	Plates, Sheets Etc, Non-cell Etc, Polymer	23
110520	Flakes, Granules And Pellets Of Potatoes	22
060220	Edible Fruit Or Nut Trees, Shrubs And Bushes	10
480300	Toilet Etc Hshld/santry Stock Paper Roll Or Sheets	10
060420	Foliage Branches Etc W/o Flowers Grasses Etc Fresh	9
732690	Articles Of Iron Or Steel Nesoi	9
847150	Digital Processing Units, N.E.S.O.I.	8

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
NEW HAMPSHIRE**



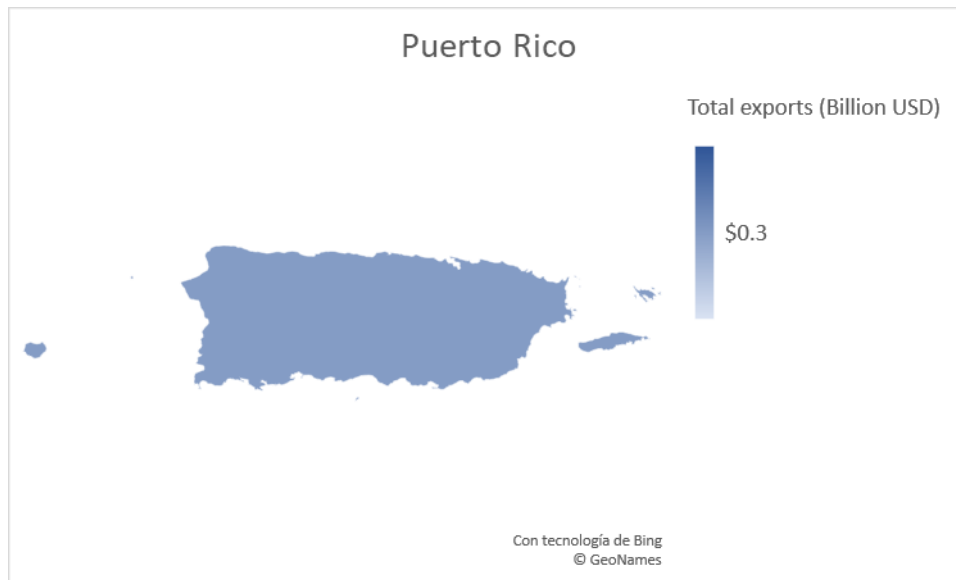
HS	Commodities	Million USD (\$)
901890	Instr & Appl F Medical Surgical Dental Vet, Nesoi	32
880000	Civilian Aircraft, Engines, And Parts	26
851770	Pts Of Phone Sets & Oth App For The Trans/recp Etc	22
930200	Revolvers & Pistols, Designed To Fire Live Ammo	20
851762	Mach For Recp/convr/trans/regn Of Voice/image/data	19
853400	Printed Circuits	14
392690	Articles Of Plastics, Nesoi	10
851680	Electric Heating Resistors	9
847330	Parts & Accessories For Adp Machines & Units	8
846693	Parts And Accessories For Use With Mach Tool Nesoi	6

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
SOUTH DAKOTA**



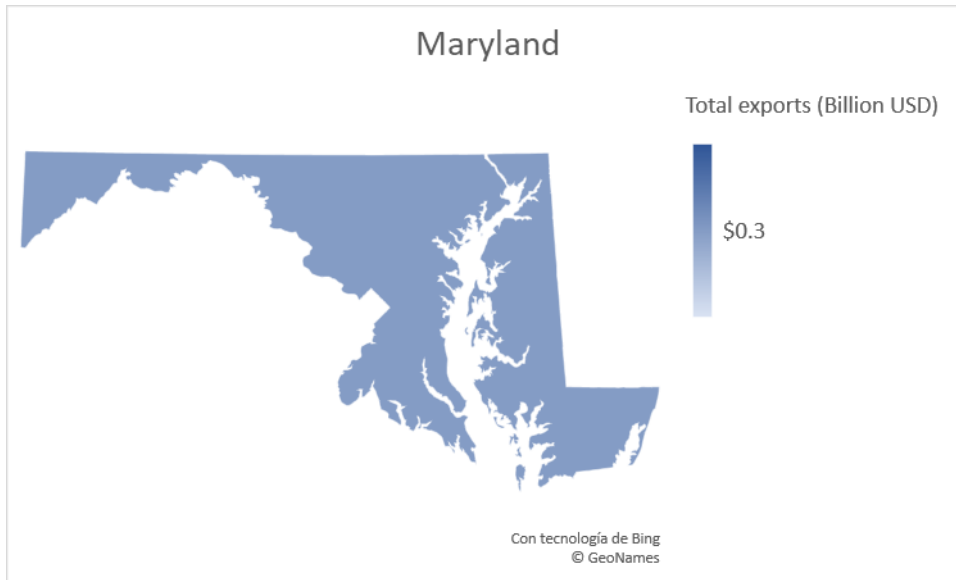
HS	Commodities	Million USD (\$)
230330	Brewing Or Distilling Dregs And Waste, W/nt Pellet	105
120190	Soybeans, Nesoi	62
020130	Meat Of Bovine Animals, Boneless, Fresh Or Chilled	19
020629	Offal Of Bovine Animals, Edible, Nesoi, Frozen	17
050400	Animal (not Fish) Guts, Bladders, Stomachs & Parts	7
020649	Offal Of Swine Except Livers, Edible, Frozen	6
848360	Clutches & Shaft Couplings (inc Universal Joints)	5
250810	Bentonite, Including Calcined	5
020714	Chicken Cuts And Edible Offal (inc Livers), Frozen	4
020329	Meat Of Swine, Nesoi, Frozen	4

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
PUERTO RICO**



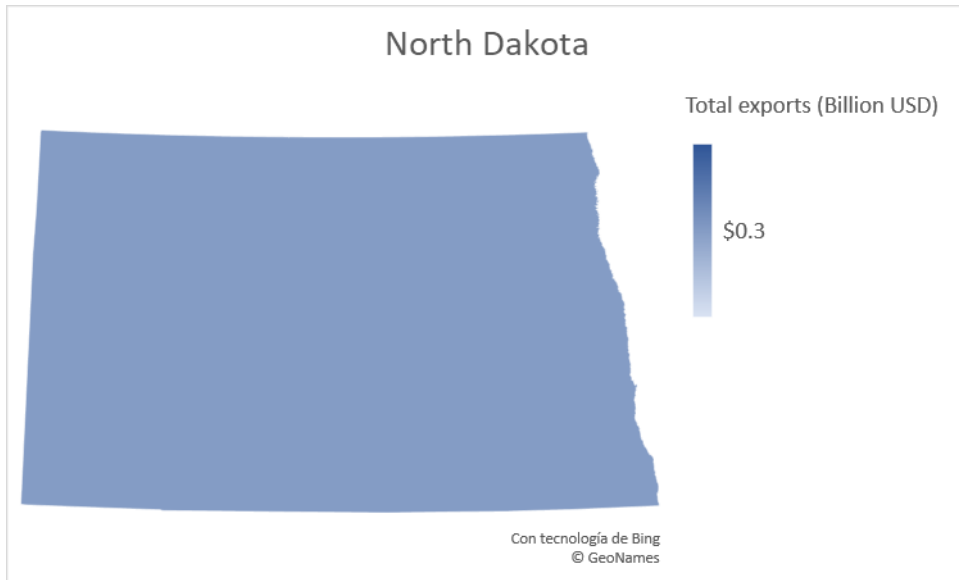
HS	Commodities	Million USD (\$)
300215	Immunological Products, In Measured Doese/rtl Sale	118
300490	Medicaments Nesoi, Measured Doses, Retail Pk Nesoi	89
901890	Instr & Appl F Medical Surgical Dental Vet, Nesoi	20
841869	Refrigerating/freezing Equipment, Nesoi	11
210690	Food Preparations Nesoi	10
901839	Med Needles. Nesoi, Catherers Etc And Parts Etc	7
292149	Aromatic Monoamines Nesoi And Their Derivativ	7
720449	Ferrous Waste & Scrap Nesoi	5
330590	Preparations For Use On The Hair, Nesoi	4
380893	Herbcd, Antisprout. Prod. & Plant-grwth Reg. Nesoi	4

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
MARYLAND**



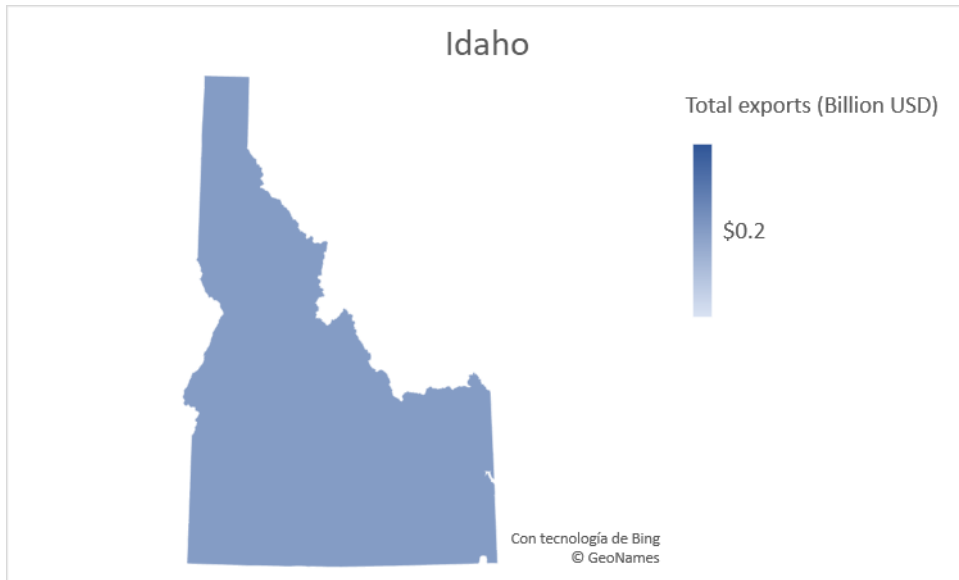
HS	Commodities	Million USD (\$)
382200	Composite Diagnostic/lab Reagents, Exc Pharmaceut	16
711311	Jewelry And Parts Thereof, Of Silver	14
040210	Milk & Crm,cntd,swt,powdr,gran/solids,nov 1.5% Fat	13
320611	Pigmnts/preps Cont =>80% Titanium Dioxide, Dry Wt	12
851762	Mach For Recp/convr/trans/regn Of Voice/image/data	12
284390	Organic Compound Precious Metal; Amalgams, Nesoi	10
847150	Digital Processing Units, N.E.S.O.I.	10
902219	Apparatus Base On X-ray For Oth Use,ex Medical,etc	8
210390	Sauces Etc. Mixed Condiments And Seasonings Nesoi	7
902750	Instruments Etc Using Optical Radiations Nesoi	6

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
NORTH DAKOTA**



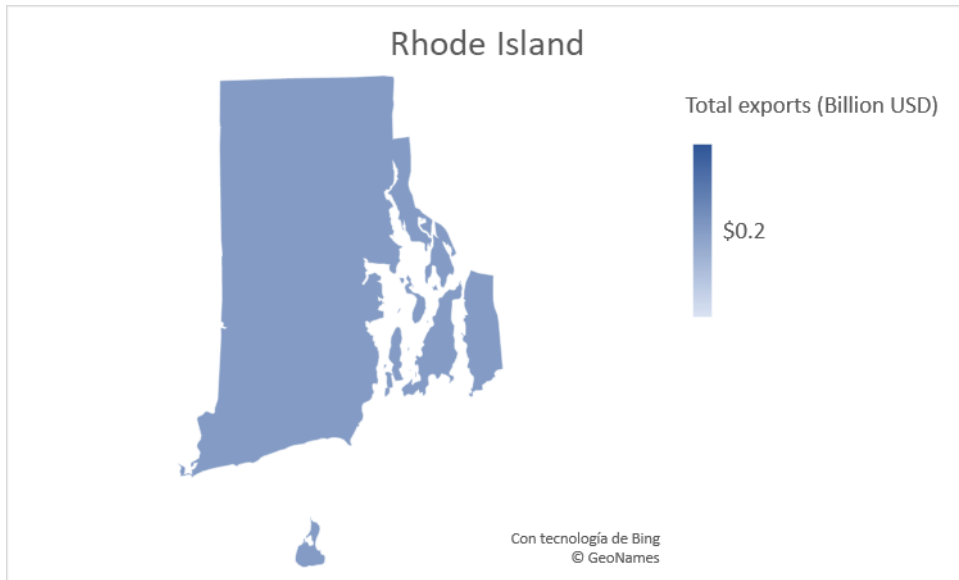
HS	Commodities	Million USD (\$)
100199	Wheat And Meslin, Nesoi	68
230330	Brewing Or Distilling Dregs And Waste, W/nt Pellet	32
151419	Rapeseed/colza Oil & Fractions, Lw Erucic Acid,nes	20
071339	Beans Nesoi, Dried Shelled, Including Seed	20
271112	Propane, Liquefied	17
853890	Pt F Elect Appr F Elect Cirtc; F Elct Contrl Nesoi	12
071340	Lentils, Dried Shelled, Including Seed	12
071333	Kidney Beans & White Pea Beans, Dri Shel, Inc Seed	9
151411	Rapeseed/colza Oil & Fractions, Lw Erucic Acid,crd	7
842951	Mech Front-end Shovel Loaders, Self-propelled	6

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
IDAHO**



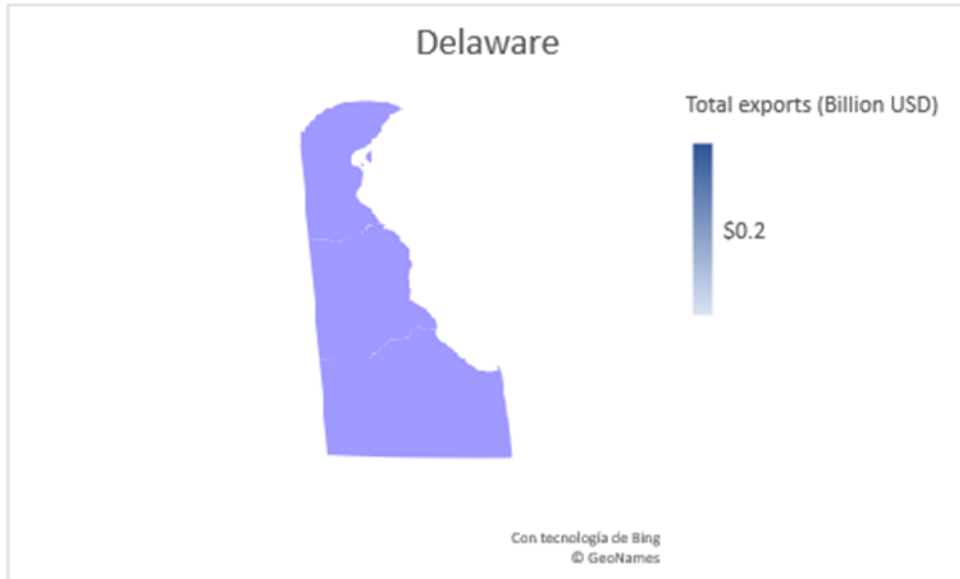
HS	Commodities	Million USD (\$)
110710	Malt, Not Roasted	64
100199	Wheat And Meslin, Nesoi	34
200410	Potatoes, Prepared Etc., No Vinegar Etc., Frozen	25
120991	Vegetable Seeds For Sowing	16
040210	Mlk & Crm,cntd,swt,powdr,gran/solids,nov 1.5% Fat	9
040690	Cheese, Nesoi, Including Cheddar And Colby	7
120770	Melon Seeds	6
210690	Food Preparations Nesoi	5
120999	Seeds, Fruit And Spores Used For Sowing, Nesoi	4
070190	Potatoes, Except Seed, Fresh Or Chilled, Nesoi	3

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
RHODE ISLAND**



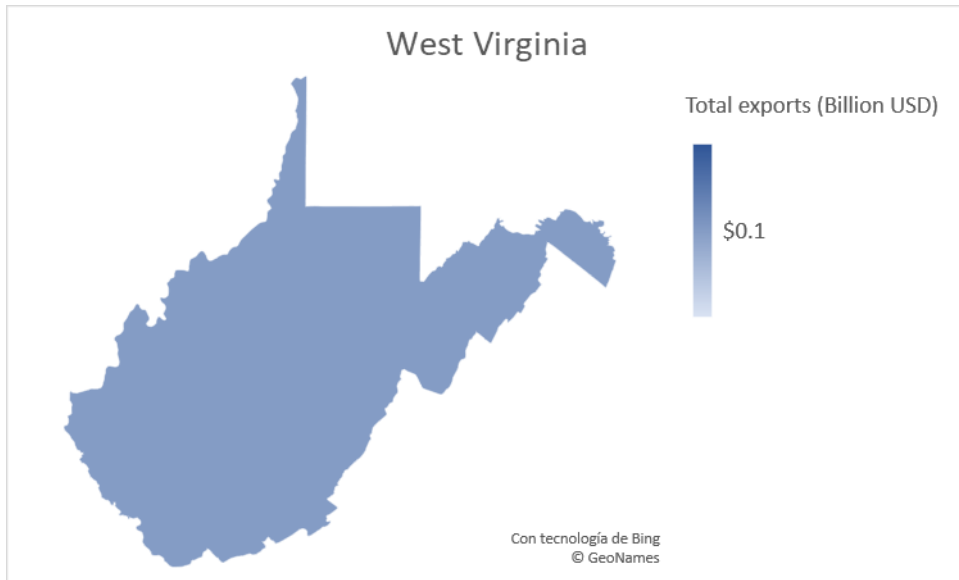
HS	Commodities	Million USD (\$)
720449	Ferrous Waste & Scrap Nesoi	15
850440	Static Converters; Adp Power Supplies	7
841490	Air/gas Pump, Compressor And Fan Etc Parts, Nesoi	6
710610	Silver Powder	6
390422	Polymers Nesoi Of Polyvinyl Chloride, Plasticized	5
392690	Articles Of Plastics, Nesoi	4
400510	Rub, Unvulcanized, Compound W/ Carbon Blk/silica	4
390210	Polypropylene, Pr Fms	4
960810	Ball Point Pens	4
841459	Fans, Nesoi	3

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
DELAWARE**



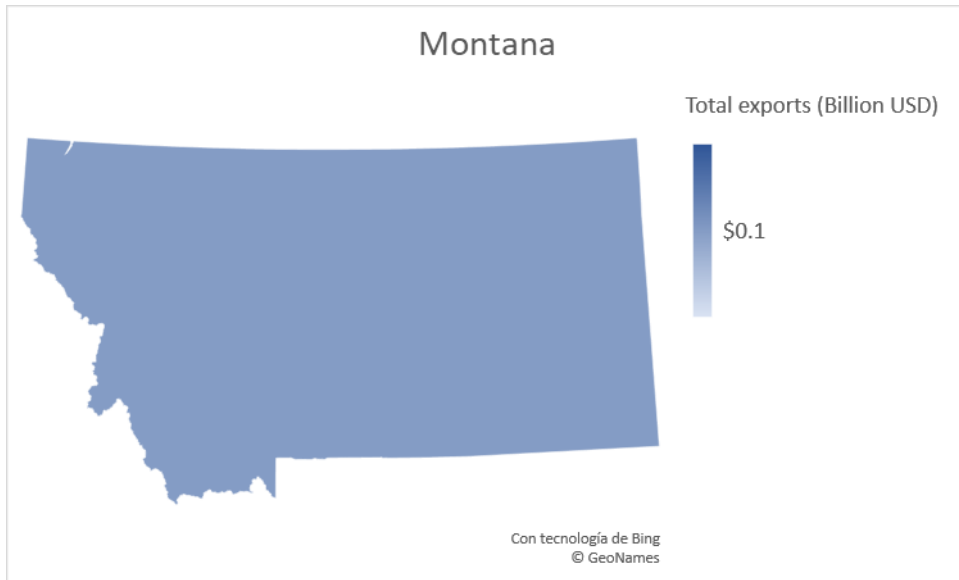
HS	Commodities	Million USD (\$)
300490	Medicaments Nesoi, Measured Doses, Retail Pk Nesoi	19
392020	Plates, Sheets Etc, Non-cell Etc, Polymr Propylene	12
392010	Plates, Sheets Etc, Non-cell Etc, Polymer	8
560312	Nonwovens, Of mmf Weighing > 25 G/m2 But < 70 G/m2	6
391290	Cellulose & Its Chemical Deriv, Nesoi, Primary Fms	6
271311	Petroleum Coke, Not Calcined	5
390810	Polyamide-6,-11,-12,-6,6,-6,9,-6,10 Or -6,12	5
841480	Air/gas Pumps, Compressors And Fans Etc, Nesoi	4
560311	Nonwovens Of Manmade Filaments Weighing < 25 G/m2	4
390690	Acrylic Polymers Nesoi, In Primary Forms	4

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
WEST VIRGINIA**



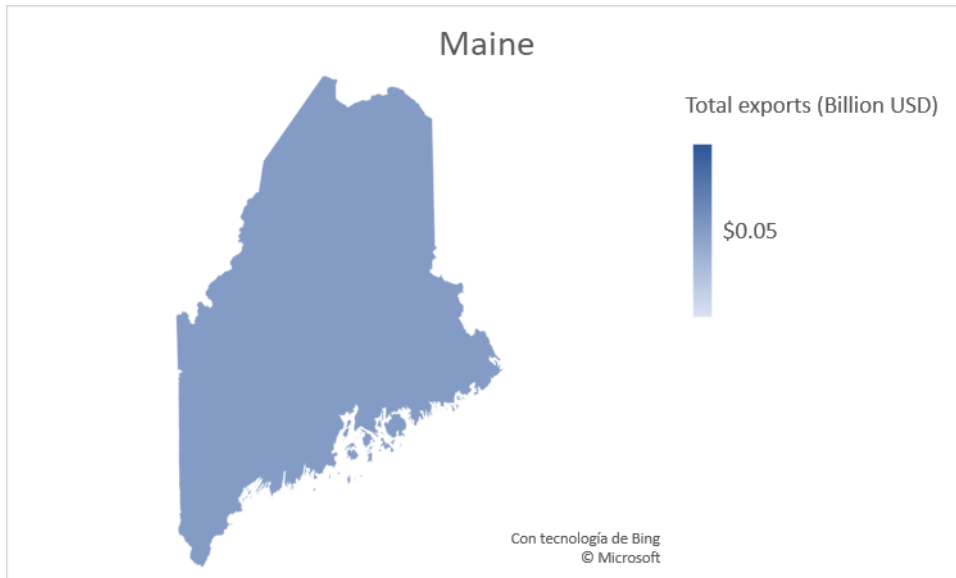
HS	Commodities	Million USD (\$)
390720	Polyethers Nesoi, Pr Fms	31
270112	Bituminous Coal, Not Agglomerated	15
400299	Synthetic Rub & Factice Derived From Oils Nesoi	8
880000	Civilian Aircraft, Engines, And Parts	7
252620	Natural Steatite And Talc, Crushed Or Powdered	6
760711	Aluminum Foil, Nov .2mm Th, No Back, Rolled Only	4
851110	Internal Combustion Engine Spark Plugs	3
760612	Aluminum Alloy Rect Plates Etc, Over .2 mm Thick	2
721491	Bars,rods,hot-rolled,-drawn,-ext,rectangular,nesoi	2
392350	Stoppers, Lids, Caps & Other Closures, Of Plastic	2

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
MONTANA**



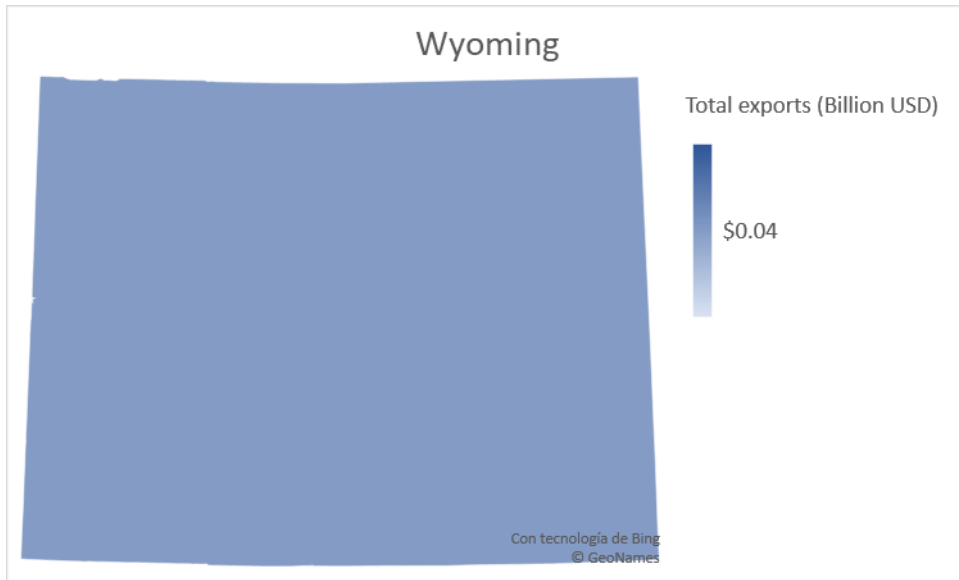
HS	Commodities	Million USD (\$)
110710	Malt, Not Roasted	24.3
100199	Wheat And Meslin, Nesoi	6.9
271019	Petrol Oil Bitum Mineral (nt Crud) Etc Nt Biodiesl	4.9
440711	Pine Wood Sawn/chipped Lngtw, Thickness Gt 6mm	4.2
071340	Lentils, Dried Shelled, Including Seed	3.9
252620	Natural Steatite And Talc, Crushed Or Powdered	3.2
071310	Peas, Dried Shelled, Including Seed	1.5
382200	Composite Diagnostic/lab Reagents, Exc Pharmaceut	0.7
853690	Elect Appr F Prtct To Elect Cirt Nov 1000 V Nesoi	0.7
283090	Sulfides And Polysulfides, Nesoi	0.6

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
MAINE**



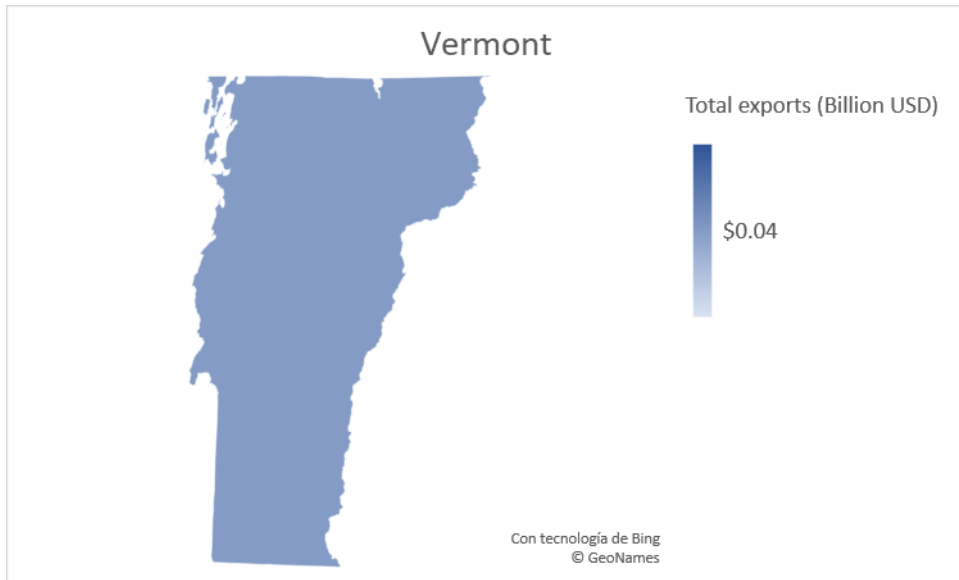
HS	Commodities	Million USD (\$)
392190	Plates, Sheets, Film Etc, Plastic Nesoi Ncel Nesoi	5.8
481099	PPr/pbrd Ex Krft/grphic Clay Ctd Nesoi Rolls/sheet	5.3
720449	Ferrous Waste & Scrap Nesoi	4.9
852872	Reception Apparatus For Television, Color, Nesoi	3.2
470329	Chem Woodpulp, Soda Etc, N Dis S BI & BI Nonconif	2.9
870899	Parts And Accessories Of Motor Vehicles, Nesoi	2.6
130239	Mucilage & Thickner W/n Modified,frm Veg Prd Nesoi	2.2
300230	Vaccines For Vetrinary Medicine	2.0
853890	Pt F Elect Appr F Elect Cirt; F Elct Contrl Nesoi	2.0
854239	Electronic Integrated Circuits, Nesoi	1.4

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
WYOMING**



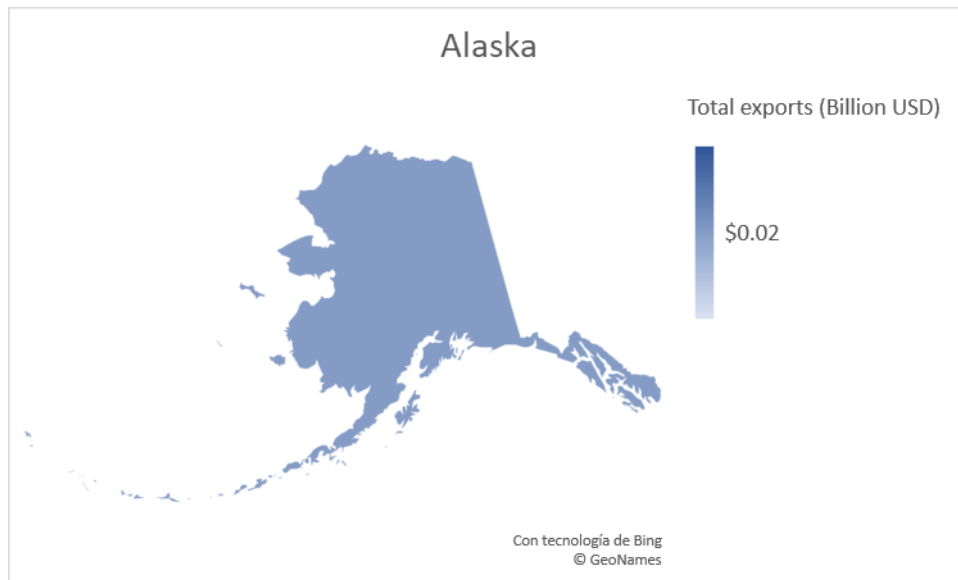
HS	Commodities	Million USD (\$)
283620	Disodium Carbonate	16.0
271112	Propane, Liquefied	9.8
843149	Parts And Attachments Nesoi For Derricks Etc.	2.1
843143	Parts For Boring Or Sinking Machinery, Nesoi	1.4
842542	Jacks And Hoists,hydraulic,exc Blt-in Jack Systems	1.4
848310	Transmission Shafts (inc Cam-&crank-shaft), Etc.	0.7
842121	Water Filtering Or Purifying Machinery & Apparatus	0.7
848340	Gears; Ball Or Roller Screws; Gear Boxes, Etc	0.7
250810	Bentonite, Including Calcined	0.7
731210	Stranded Wire, Rope Etc, No Elect Insul, Ir Or St	0.6

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
VERMONT**



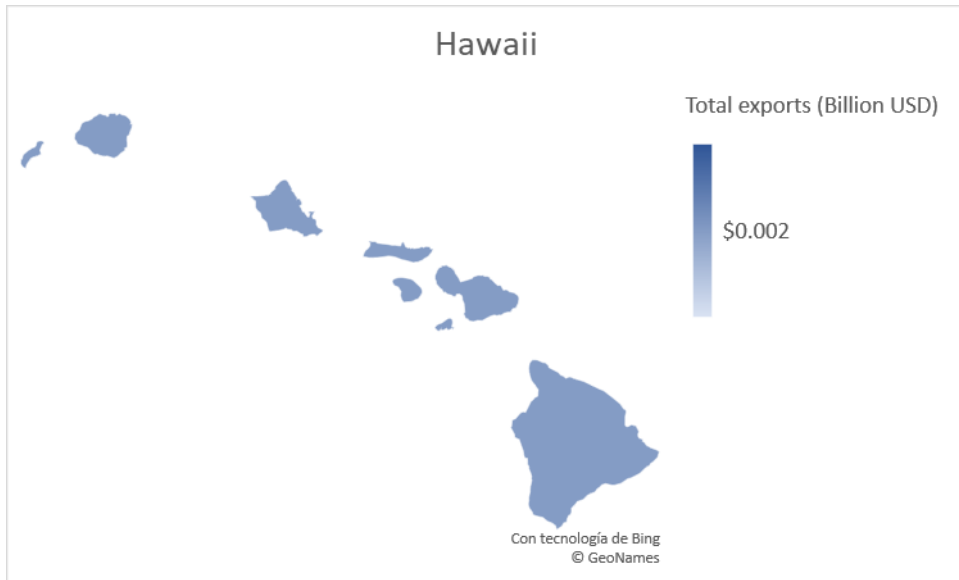
HS	Commodities	Million USD (\$)
480451	Krft ppr/pprbrd Unctd Unblchd 225g/m2/more Rll/sht	5.1
481149	Gummed/adhesive Paper & Paperboard, Nesoi	4.8
880000	Civilian Aircraft, Engines, And Parts	4.8
854449	Insulated Electric Conductors =< 80 V Nesoi	4.6
482390	Articles Of ppr Pulp/ppr/pprbrd/cellulose Etc Nesoi	3.3
480700	Composite ppr/pbrd,nt Surf Ctd/imp,rolls/sheets	2.5
440890	Veneer Sheet Etc, Not Ov 6mm, Nonconiferous Nesoi	1.7
853690	Elect Appr F Prtct To Elect Cirtct Nov 1000 V Nesoi	1.4
400821	Plates Of Vulcanized Rub, Of Noncellular Rubber	1.1
392590	Builders' Ware Of Plastics, Nesoi	0.7

**TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
ALASKA**



HS	Commodities	Million USD (\$)
100590	Corn (maize), Other Than Seed Corn	4.3
850213	Generating Set W Compression-ignitn Output >375kva	1.7
940120	Seats Of A Kind Used For Motor Vehicles	1.2
470321	Chemical Woodpulp, Soda Etc. N Dis S BI & BI Conif	0.9
854140	Photosnsitve Semicndctr Dvice Inc Phtvltc Cell Etc	0.6
850440	Static Converters; Adp Power Supplies	0.5
853650	Elect Switches F Voltage Not Over 1000 V, Nesoi	0.5
845210	Sewing Machines Of The Household Type	0.5
591110	Text Fabric For Card Clothing & Other Tech Uses	0.4
841430	Compressors Used In Refrigerating Equipment	0.4

TOP TEN EXPORT PRODUCTS TO MEXICO BY STATE 2020
HAWAII



HS	Commodities	Million USD (\$)
850300	Parts Of Electric Motors, Generators & Sets	1.05
850760	Lithium Ion Batteries	0.26
390210	Polypropylene, Pr Fms	0.09
320810	Paints & Varnishes,in Nonaqueous Medium,polyesters	0.07
150210	Tallow Of Bovine Animals, Sheep Or Goats, Nesoi	0.07
721113	Fr Hs los Na Un600mm W Hr PI Unvrsl Mllplte	0.06
382200	Composite Diagnostic/lab Reagents, Exc Pharmaceut	0.04
390799	Polyesters Nesoi, Unsaturated, Pr Fms	0.03
940161	Seats W Wooden Frames, Upholstered, Nesoi	0.03
700992	Glass Mirrors, Framed, Exc Rearview	0.03



**U.S.-MEXICO
FOUNDATION**

THE IMPORTANCE OF THE U.S.-MEXICO RELATIONSHIP AND PROSPECTS FOR FUTURE COOPERATION

Prepared for: The U.S.-Mexico Foundation | June, 2021

The U.S.-Mexico Foundation is a non-profit dedicated to fostering cooperation and bilateral understanding between the United States and Mexico. The organization executes its mission in two ways: operating programs and promoting constructive dialogue on issues of binational interest.

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