

NAFTA BRIEF

NAFTA: North American Free Trade Agreement
Countries involved: Canada, Mexico, and the United States.

Date entered into force: 01/01/1994

Country leaders on duty at date of signing:

- Brian Mulroney (Canada)
- William Jefferson Clinton (USA)
- Carlos Salinas de Gortari (Mexico)

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! KEY PLAYERS

NAFTA negotiation key players:



- Donald J. Trump
- Jared Kushner
- Wilbur Ross
- Steven Mnuchin
- Robert Lightizer



- Luis Videgaray Caso
- Herminio Blanco Mendoza
- Jaime Zabudovsky Kuper
- Jaime Serra Puche
- Juan Gallardo Thurlow
- Moisés R. Kalach Balas
- Claudio X. González Laporte
- Francisco Leopoldo de Rosenzweig Mendialdua

! US-MEXICO 2016 TRADE DATA

Month	Mexico purchases from USA	USA purchases from Mexico	Balance
January 2016	18,065.8	22,400.7	-4,334.9
February 2016	18,226.3	23,191.8	-4,965.5
March 2016	19,338.8	24,744.1	-5,405.3
April 2016	19,385.1	25,098.4	-5,713.3
May 2016	19,040.6	24,842.5	-5,801.9
June 2016	19,556.3	24,906.6	-5,350.4
July 2016	18,303.7	23,025.9	-4,722.2
August 2016	20,282.6	25,557.2	-5,274.7
September 2016	19,845.8	25,089.1	-5,243.3
October 2016	20,211.4	26,405.4	-6,194.0
November 2016	19,592.5	25,385.5	-5,793.1
TOTAL 2016	211,848.7	270,647.2	-58,798.6

! TOP 3 US STATES TRADE WITH TOP 10 MX STATES

	Texas		California		Michigan	
	Total	75,964	Total	22,697	Total	10,316
1	Chihuahua	24,200	Baja California	12,102	Distrito Federal	3,307
2	Distrito Federal	11,839	Chihuahua	3,351	Coahuila	1,644
3	Tamaulipas	9,509	Distrito Federal	2,156	Estado de México	1,355
4	Estado de México	8,509	Estado de México	1,931	Nuevo León	807
5	Coahuila	6,420	Sonora	829	Chihuahua	797
6	Nuevo León	4,665	Jalisco	693	Guanajuato	496
7	Guanajuato	3,409	Nuevo León	469	Tamaulipas	443
8	Jalisco	2,289	Baja California Sur	231	Querétaro	346
9	Querétaro	721	Sinaloa	156	Puebla	332
10	San Luis Potosí	666	Querétaro	132	Jalisco	117
	<i>Share of border states</i>	59.0%		74.8%		35.8%

! KEY POINTS EXPORTS

Exports

- Mexico was the United States' 2nd largest goods export market in 2015.
- U.S. goods exports to Mexico in 2015 were \$236 billion, down 1.6% (\$3.9 billion) from 2014 but up 97% from 2005. U.S. exports to Mexico are up 468% from 1993 (pre-NAFTA). U.S. exports to Mexico account for 15.7% of overall U.S. exports in 2015.
- The top export categories (2-digit HS) in 2015 were: machinery (\$42 billion), electrical machinery (\$41 billion), vehicles (\$22 billion), mineral fuels (\$19 billion), and plastics (\$17 billion).
- U.S. exports of agricultural products to Mexico totaled \$18 billion in 2015, our 3th largest agricultural export market. Leading categories include: corn (\$2.3 billion), soybeans (\$1.4 billion), dairy products (\$1.3 billion), pork & pork products (\$1.3 billion), and beef & beef products (\$1.1 billion).
- U.S. exports of services to Mexico were an estimated \$30.8 billion in 2015, 2.7% (\$807 million) more than 2014, and 36.7% greater than 2005 levels. It was up roughly 196% from 1993 (pre-NAFTA). Based on 2014, leading services exports from the U.S. to Mexico were in the travel, transportation, and intellectual property (computer software) sectors.

! KEY POINTS IMPORTS

Imports

-Mexico was the United States' 3rd largest supplier of goods imports in 2015.

-U.S. goods imports from Mexico totaled \$295 billion in 2015, up 0.2% (\$667 million) from 2014, and up 73% from 2005. U.S. imports from Mexico are up 638% from 1993 (pre-NAFTA). U.S. imports from Mexico are up 638% from 1993 (pre-NAFTA).

-The top import categories (2-digit HS) in 2015 were: vehicles (\$74 billion), electrical machinery (\$63 billion), machinery (\$49 billion), mineral fuels (\$14 billion), and optical and medical instruments (\$12 billion).

-U.S. imports of agricultural products from Mexico totaled \$21 billion in 2015, our 2nd largest supplier of agricultural imports. Leading categories include: fresh vegetables (\$4.8 billion), other fresh fruit (\$4.3 billion), wine and beer (\$2.7 billion), snack foods (\$1.7 billion), and processed fruit & vegetables (\$1.4 billion).

-U.S. imports of services from Mexico were an estimated \$21.6 billion in 2015, 11.0% (\$2.1 billion) more than 2014, and 50.0% greater than 2005 levels. It was up roughly 191% from 1993 (pre-NAFTA). Based on 2014, leading services imports from Mexico to the U.S. were in the travel, transportation, and technical and other services sectors.

! PROS & CONS MEXICO

Pro 1: Increase in GDP

Pro 2: Growth of Maquiladora industry

Pro 3: Growth of automobile manufacturing industry

Pro 4: Good for diplomatic relations.

Con 1: Low quality working conditions

Con 2: Mexican small businesses cannot compete with foreign corporations.

Con 3: Currency devaluation.

Con 4: Environmental damage due to increasing factory waste and pollution.

! PROS & CONS USA

Pro 1: Lowered the price of many goods.
Pro 2: Increase for GDP.
Pro 3: Good for diplomatic relations.
Pro 4: Increase in exports and regional production blocs.

Con 1: Loss of U.S. manufacturing jobs.
Con 2: Suppression of wages for non-college-educated workers in the U.S.
Con 3: Environmental and labor standards could be higher.

! POSSIBLE TRADE INHERITORS

If NAFTA agreement would be nullified or hurt, NAFTA-resulting trade would possibly be replaced by:

- increase in Mexico imports from China, European Union, & Japan.
- increase in Mexico exports to European Union, Central & South America.
- increase in USA imports from Central & South America.
- increase in USA exports to Central & South America.
- increase Mexican domestic trade.
- increase in USA domestic trade.

! GAME THEORY ANALYTICS

Game theory inspired probable strategies



Donald Trump will play classroom bully, forcing Mexico to throw their hardest punch in hope to obtain bargaining power and gain advantage in NAFTA terms.



Defend Mexican national economy & dignity demonstrating mutual dependence in the NA region. Maintain respect for USA's military and economical superiority.

“What one player can do to avert mutual damage affects what another player will do to avert it.”

Thomas Schelling

! POSSIBLE OUTCOMES & PROBABILITY

-A tariff renegotiation will be reached in which the USA will impose a tariff in Mexican imports that compensates for the trade deficit that exists in current trade.

PROBABILITY: 38%

-A tariff renegotiation will be reached in which the USA & Mexico will both impose a 15-20% tariff in US<->MEXICO imports.

PROBABILITY: 37%

-US-MEXICO relationship will be damaged due to Trump's aggressiveness causing NAFTA to be completely dumped.

PROBABILITY: 14%

-Other outcomes

PROBABILITY: 11%