



Trade and Investment in North America: Prospects for USMCA

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State Economic Development Executives Network Annual
Fall Gathering

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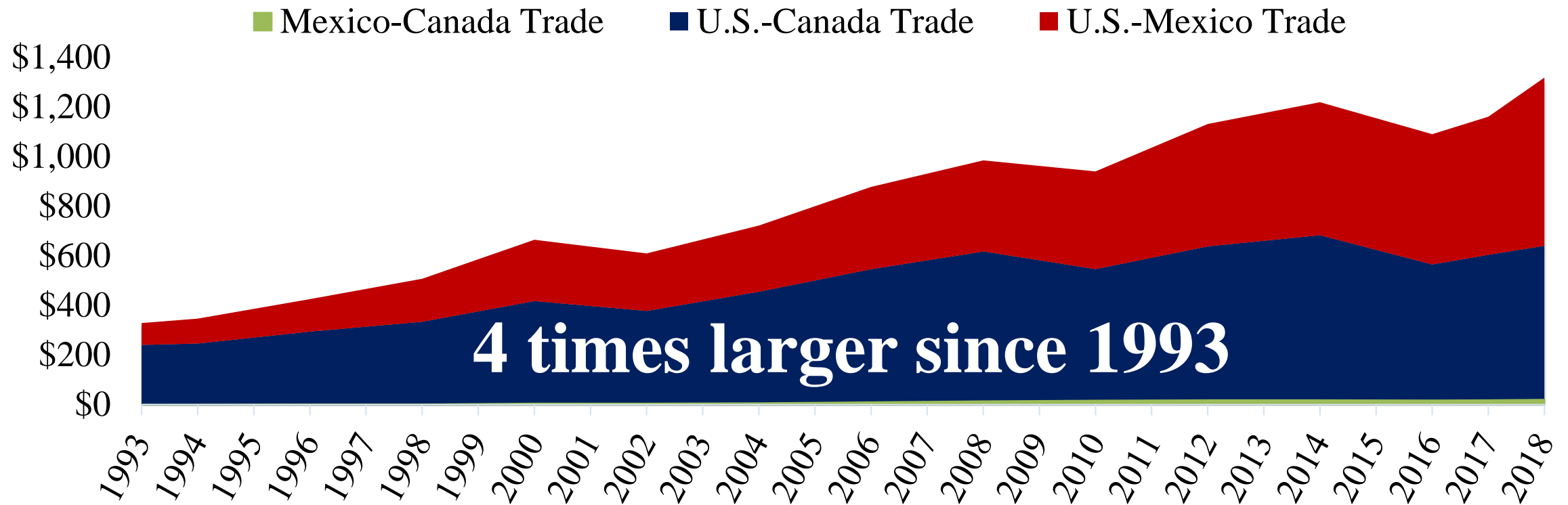


North American Trade

- Canada, Mexico and the US trade **\$1.3 trillion a year**.
- **\$3.6 billion a day**, reflecting major shared production networks.
- More than US trade with all the **European Union** and **over 2 times** more than with **China (using 2019 figures)**.
- **Over 12 million US jobs** are supported by trade and investment with both neighbors.
- **Some 50 percent** of NAFTA trade is in **intermediate goods**.

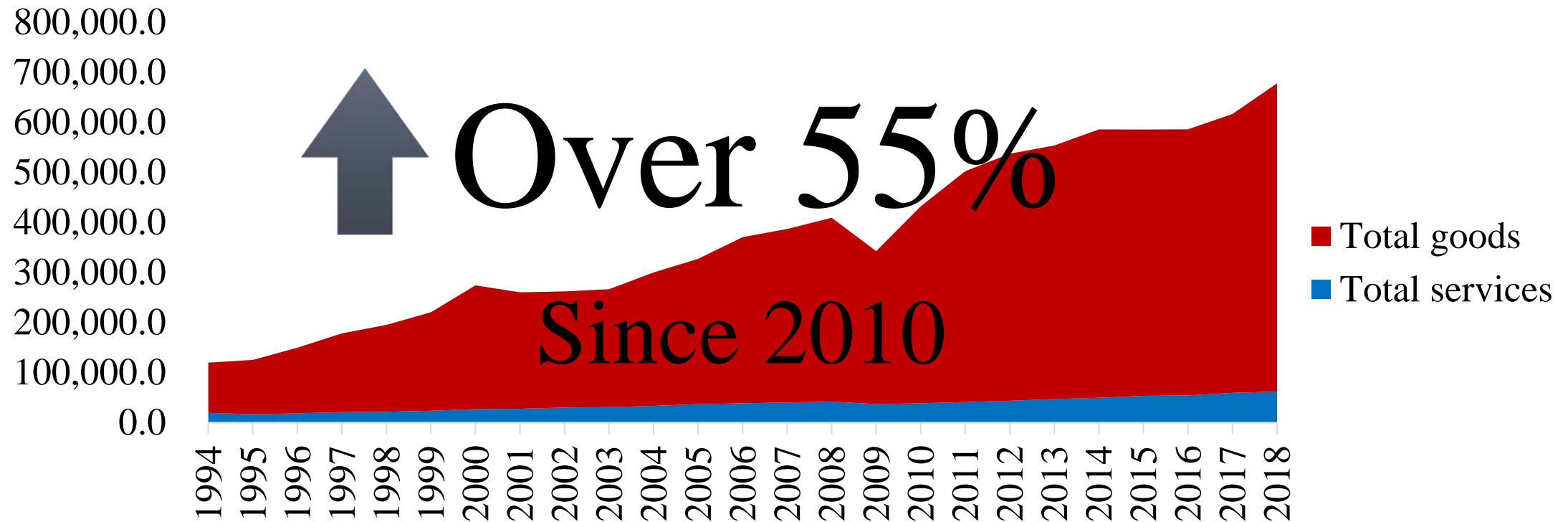


North American Trade in Goods and Services



U.S. Trade with Mexico has multiplied by 6 since 1993

- The U.S. sells **more** to Mexico than to all the **BRICS** countries together



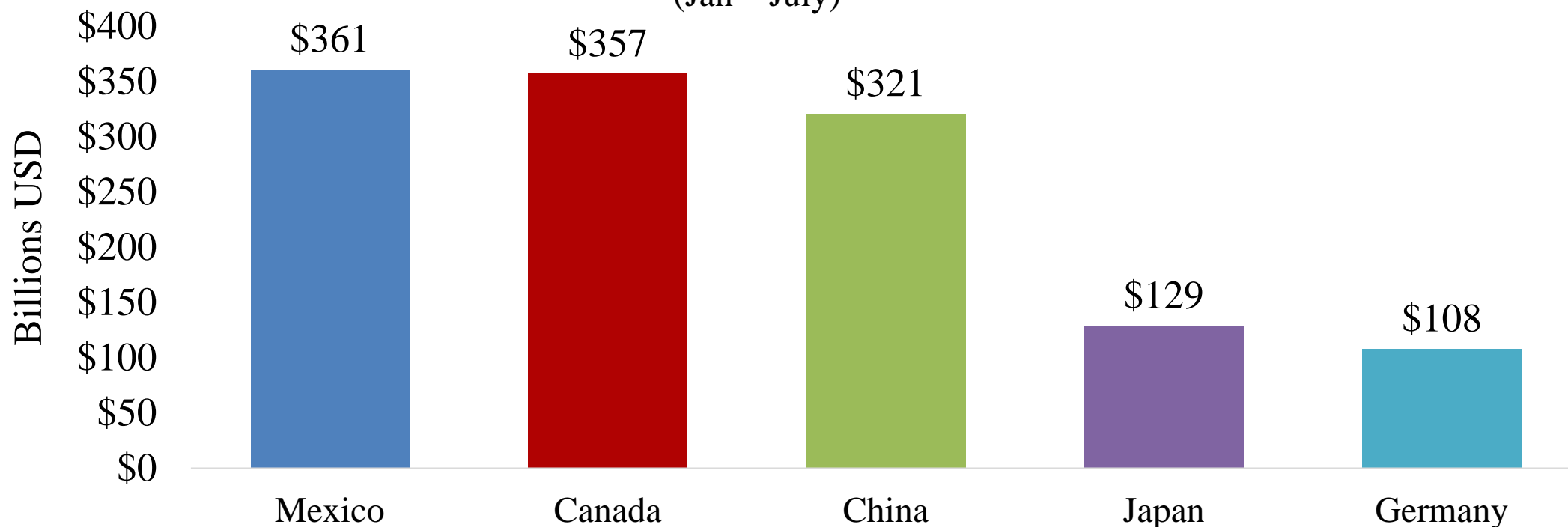


Mexico & Canada: Top Trading Partners in 2019

U.S. Top Trading Partners 2019

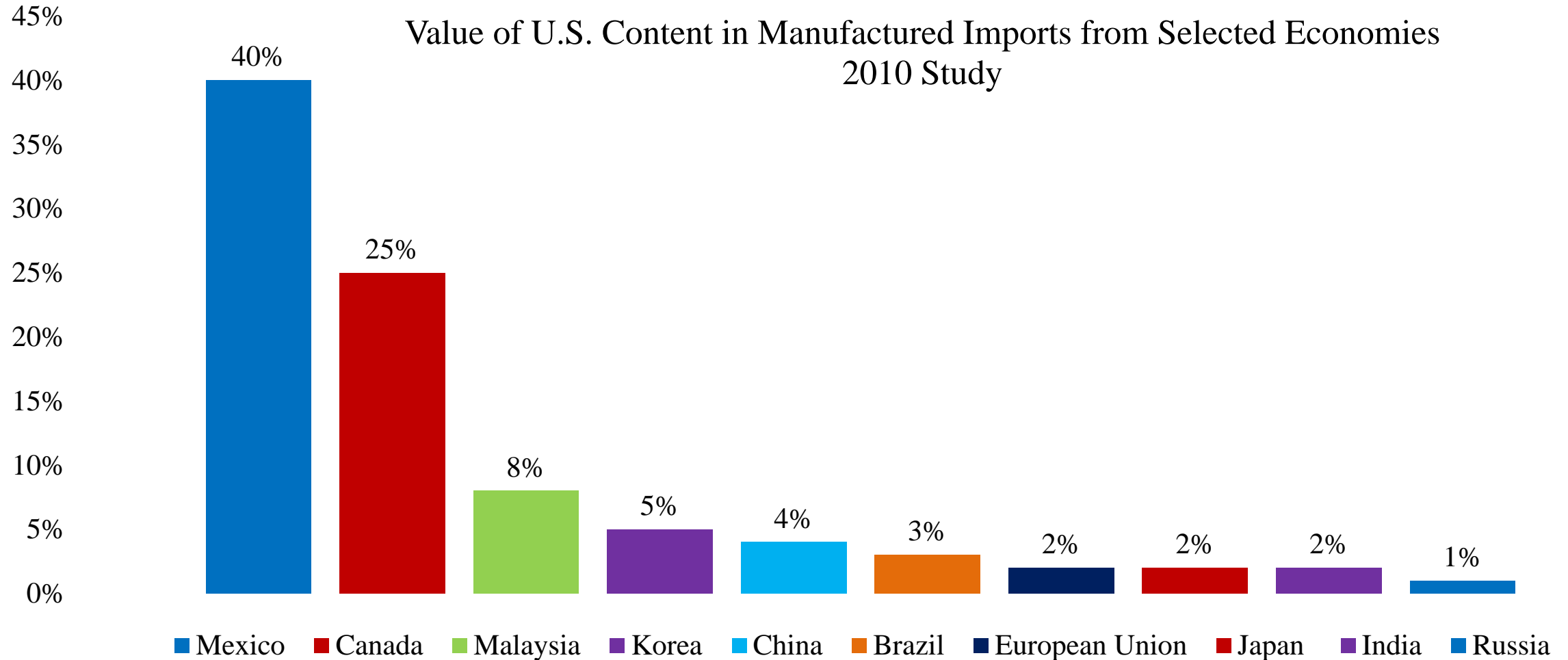
Imports + Exports

(Jan – July)



For the first time, trade with Mexico exceeds Canada and China.

More U.S. Content in Imports from Mexico and Canada



Net Number of U.S. Jobs Related to Trade with Mexico and Canada

Top 10 states 2017

Trade with Mexico: 4.9 million		
No.	State	Net Number of U.S. Jobs
1	California	+ 572.2
2	Texas	+ 399.5
3	New York	+ 325.5
4	Illinois	+ 198.0
5	Pennsylvania	+ 195.7
6	Ohio	+ 170.9
7	Georgia	+ 158.2
8	North Carolina	+ 150.6
9	New Jersey	+ 141.2
10	Virginia	+ 135.3

Trade with Canada: 7.2 million		
No.	State	Net Number of U.S. Jobs
1	California	+ 898.5
2	Texas	+ 549.4
3	New York	+ 475.9
4	Florida	+ 446.3
5	Illinois	+ 293.7
6	Pennsylvania	+ 282.3
7	Ohio	+ 257.5
8	Georgia	+ 229.2
9	North Carolina	+ 225.8
10	Michigan	+ 209.7

Trade Negotiations

NAFTA/USMCA

From NAFTA to USMCA

- The **USMCA (United States-Mexico-Canada Agreement)**, or T-MEC in Mexico, is replacing the 1993 **NAFTA (North American Free Trade Agreement)**.
- President Trump, Mexican President Pena Nieto and Canadian Prime Minister Trudeau signed the new agreement on **November 30, 2018**.
- Needs to pass legislatures: key is U.S. House of Representatives
- Mexican Senate approved it; Canada awaiting U.S. Congress' action.





Main elements of the USMCA (T-MEC)

- **Rules of Origin for Vehicles to be phased in 2020-2023**
 - 75% of the value of a vehicle to be produced in the region (up from 62.5%).
 - 40%-45% percent of auto content produced by workers earning over \$16 per hour.
- **Dispute Settlement**
 - Maintains NAFTA's dispute-settlement provision over unfair trade practice allegations (Chapter 19) and state to state differences of treaty interpretation (Ch. 20), but limits investor dispute (ISDR) options to key sectors of U.S.-Mexico investment; eliminates coverage for U.S.-Canada issues.
- **Successfully Updated Treatment of IPR, Internet-related issues, Labor, Environment...**
 - Achieved or exceeded most of modernization goals sought, including stronger labor rights provisions, IPR protections, inclusion of electronic commerce and data issues, anti-corruption, among others.
- **Sunset Clause:**
 - 16-year lifetime for the agreement, with a review every six years and possible 16-year renewal.
- **Dairy**
 - Addressed some U.S. concerns over Canada's dairy policies and restrictions.



Approval of USMCA

Canada:

- **Has fall elections; says no renegotiation.**

Mexico:

- **Reformed labor laws and approved USMCA; July 2021 elections.**

United States:

- Unclear when/if a Congressional vote might take place. **Window for passage this year.**
- **Democrats seek strengthening enforcement in labor & environment, changes in drug IPR.**
- **House Speaker named team to negotiate with USTR; USTR mulling team's proposals.**
- **Still due:** implementing legislation; labor & environment impact assessment; enforcement plan.
- Stakeholders arguing for passage, unions seek stronger enforcement, **Democrats could delay.**
- Trump has threatened withdrawal to force congressional approval: high risk/cost.



USITC: Likely Impact of USMCA



- International Trade Commission estimates that if fully implemented and enforced, USMCA would have a **positive impact on U.S. real GDP and employment** over 6 years.

Real GDP	Employment
+\$68.2 billion (0.35 percent)	+176,000 jobs (0.12 percent)

- The most significant for U.S. economy are:
 1. Provisions that reduce policy uncertainty for **digital trade** (positive).
 2. **New rules of origin** applicable to the automotive sector (marginally positive).
- Estimate that effective implementation of **Mexican labor reforms** would **increase wages of unionized Mexican workers by 17.2 percent**.

- Would increase U.S. Trade.

U.S. Exports		U.S. Imports	
to Canada	to Mexico	from Canada	from Mexico
+\$19.1 billion (5.9 percent)	+\$14.2 billion (6.7 percent)	+\$19.1 billion (4.8 percent)	+\$12.4 billion (3.8 percent)

- **Not included:** value of **preserving existing networks & certainty** of stable rules.

Source: USITC, 2019.

Costs of Withdrawing from NAFTA: Net Job Losses

STUDY	IMPACT ON EMPLOYMENT
Impact Econ	<p>Unskilled Workers: auto, ag/food, textiles, services sectors suffer most (3-5 years) U.S.: loss of 256,000 jobs, with 95K more workers that would have to relocate Mexico: loss of 951,000 Canada: loss of 125,000</p> <p>Skilled and Unskilled Workers (3-5 years) U.S.: loss of 1.4 million jobs Mexico: loss of 1.5 million Canada: loss of 497,000</p>
PIIE	<p>U.S.: 180,000 exporting jobs lost, most affected: auto, ag/food, & manufacturing sector</p>
Oxford Economics	<p>U.S.: 300,000 fewer jobs</p>
Trade Partnership Worldwide	<p>U.S.: 1.8 to 3 million jobs lost (3-5 years) U.S.: 200,000 to 700,000 fewer jobs over the longer term Canada: 1.2 million jobs lost Mexico: 2.3 to 10.3 million jobs lost</p>

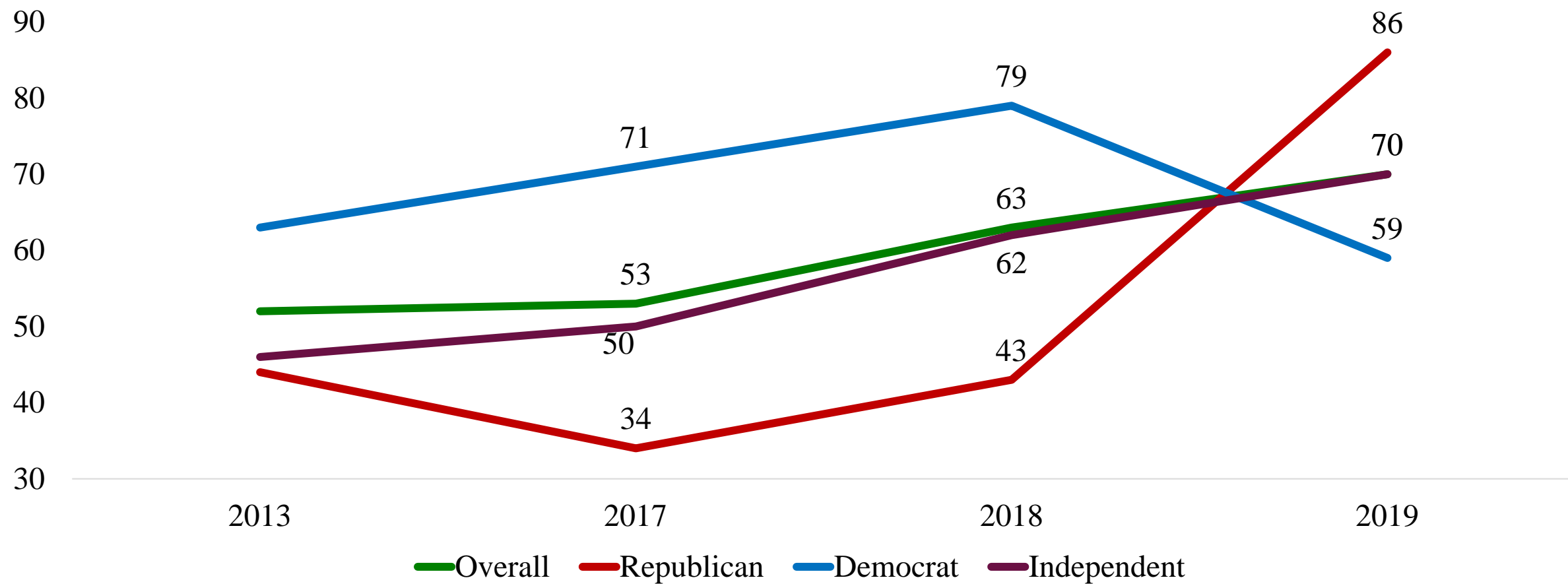


US Opinion:

Is NAFTA/USMCA Good for the US Economy?



Overall, Is NAFTA Good for the US Economy? (% Good)





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North American Investment

In 2017, Canada's and Mexico's FDI in the U.S. reached **\$471 billion**

The U.S. had **\$514 billion** FDI in Canada and Mexico.



US FDI in Canada
\$404 billion

Mexico's FDI in Canada
\$2 billion



Mexico's FDI in the US
\$18 billion

Canada's FDI in the US
\$453 billion



US FDI in Mexico
\$110 billion

Canada's FDI in Mexico
\$15 billion