

## Topic: US-Mexico Economic Relations

**Issue:** What policies and practices should the US government follow regarding economic relations with Mexico?

**Our position:** The US government should continue to develop the US-Mexico economic partnership but do more to promote economic justice in both countries.

### Why do we have this position?

Mexico's economy is currently the 15<sup>th</sup> largest in the world, with a middle class of 44 million. Mexico is our third trading partner, behind China and Canada. Mexico is clearly not a "third world" country, though its poverty rate continues to be very high (more than 50% of the population). Mexico now graduates more than 100,000 engineers per year.

Transitions in the Mexican Economy" by Justin Dutram and Jennifer Columbus, *Arizona Town Hall publication*, April 2016.

The economies of the U.S. and Mexico are deeply intertwined. Six million U.S. jobs are supported by bilateral trade with Mexico (1 in 24 U.S. workers), including more than 100,000 in Arizona.

"Working Together: Economic Ties Between the United States and Mexico," by Christopher E. Wilson, Woodrow Wilson International Center for Scholars, 2011.

The U.S.-Mexico trade in 2015 was \$584 B with a US deficit of \$49 B. The U.S.-China trade was \$659 B with a U.S. deficit of \$336 B. So while the Trump administration complains about the trade deficit with Mexico, it shrinks in comparison with China.

Office of the United States Trade Representative

Other factors mitigate this deficit with Mexico: production in Mexico is often shared with the U.S. as products are shipped back and forth several times. Such "production sharing" is as high as 40% (compared to 10% for Chinese products). Christopher E. Wilson, *op. cit.*

Also, Mexican shoppers spend a lot of money in the U.S., including \$2.5 B in Arizona alone.

"Mexican Visitors to Arizona: Visitor Characteristics and Economic Impacts" by Alberta H. Charney and Alan Hoogasian, *Arizona Town Hall publication*, April 2016.

A vital Mexican economy reduces the pressure to immigrate and lessens tensions around the U.S.-Mexico border. While U.S. politicians have exploited fears about the number of undocumented workers as cause for get-tough policies, these numbers are directly related to the health of the Mexican economy.

"Unintended Consequences of US Immigration Policy: Explaining the Post-1965 Surge from Latin America" by Douglas S Massey and Karen A Pren, *National Institutes of Health Public Access*, July 30, 2012.

As much as we may celebrate Mexico's rise in GDP and the contribution the U.S.-Mexico partnership has made to our own economy, it is clear that NAFTA did not do enough to build in safeguards for the millions who were displaced from Central Mexico due to the infusion of corn from the U.S., and the thousands who lost manufacturing jobs in traditional strongholds like Ohio and Michigan. In addition, Mexican maquiladora workers' pay remains a major concern, though some companies do much better than others.

"A More Democratic Mexico" chapter 12 in Lynn V. Foster's book *A Brief History of Mexico (Fourth Edition)*, 2009. To state it simply: whatever efforts there are to modify or replace NAFTA need to take the worker into account far more than before.

The current model is unbalanced, with U.S. stockholders leasing the maquiladora while Mexico provides the workers. Still, we recognize the potential for even greater injustice if U.S. companies decide to abandon Mexico and look for cheaper labor elsewhere. This is why we believe the U.S.-Mexico economic partnership is beneficial to both the U.S. and Mexico.

In a presentation by a maquiladora in Nogales, Mexico, the plant manager revealed that in 2004 the company pondered whether to relocate its assembly plant to Asia or stay in Mexico. They decided to stay in Mexico and subsequently relocated their business offices from Illinois to Arizona so that they would be closer to production. For a time many US-based companies did move manufacturing out of Nogales to Asia but that trend seems to have stopped, in part because of the rise in productivity of the Mexican worker. *Jerry Haas*