



NAFTA as it nears its 20th Birthday and the Border

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NAFTA Report Card: How have the US and Mexico Fared?

- As NAFTA nears its 20th birthday, the memories of Ross Perot's famous "giant sucking sound" sound bite during the 1992 presidential debate with Bill Clinton and George Bush Sr. seems like a distant memory.
- Ross Perot claimed that NAFTA would result in the loss of jobs in the United States as companies moved South of the border to take advantage of lower wages in Mexico.
- Of course, if we look at the numbers, the benefit of NAFTA to both the United States and Mexico has been significant.



NW and US NAFTA Winners

- Many say who has benefited most from NAFTA the United States.
- Mexico is the third largest importer of US-made goods in the world, behind only the European Union and Canada.
- Mexicans have an insatiable appetite for American products, whether it be:
 - goods off the shelves of **Costco** who has 31 stores across Mexico and is one of the country's largest retailers
 - **Washington Apples**, which you can find at every supermarket and open air market in the country



NW and US NAFTA Winners

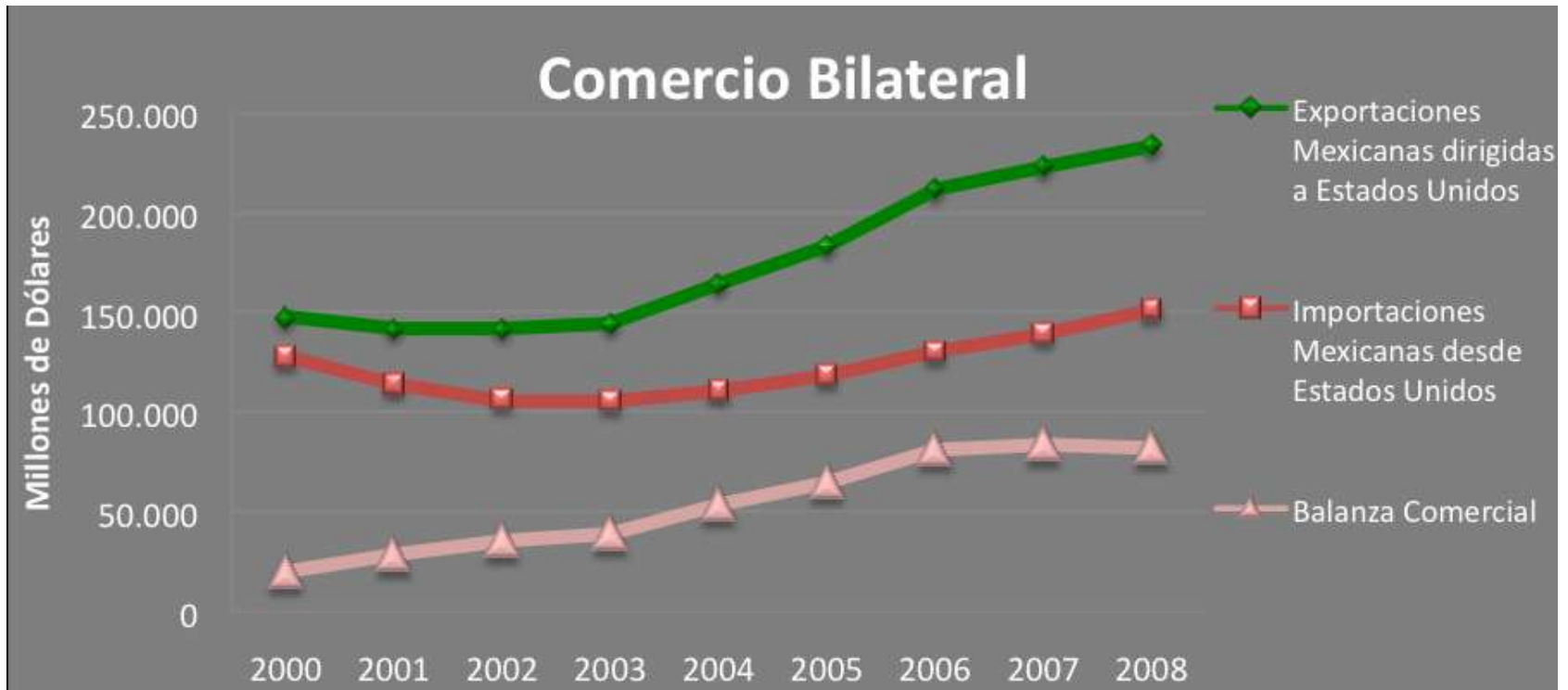
- -US financial services from banks such as **Banamex**, which is owned by Citi Group, not to mention **US Bank**, who is represented here today by their VP for Latin America, Susana Gonzalez
- -**Boeing**, who is the exclusive provider of aircraft to Mexico largest and only first tier airline, AeroMexico
- **Starbucks** with hundreds of stores located in 45 different cities across Mexico
- -**Starwood Hotels**, who own or operate hotels more than 20 hotels in 11 different states
- -As well **Big Three US Car makers** who can now, thanks to NAFTA, freely export every make and model of automobiles made in the USA directly to Mexico Duty Free.



Mexico has benefited too...

- Mexico is the fourth largest exporter of goods to the United States, accounting for approximately 10% of all US imports. Although a strong number, it lags far behind the EU, Canada and of course China, which each account for roughly 16% of the US's imports.
- **The graph below** show how the US and Mexico have fared over the years in bilateral trade. As you see, Mexico does indeed export to the US approximately 30% more than the US exports to Mexico, but considering the US economy is 14 times (i.e., 1,400%) larger than Mexico's, it is quite remarkable that these numbers are so close.

US-Mexico Bilateral Trade: US\$370 Billion Annually





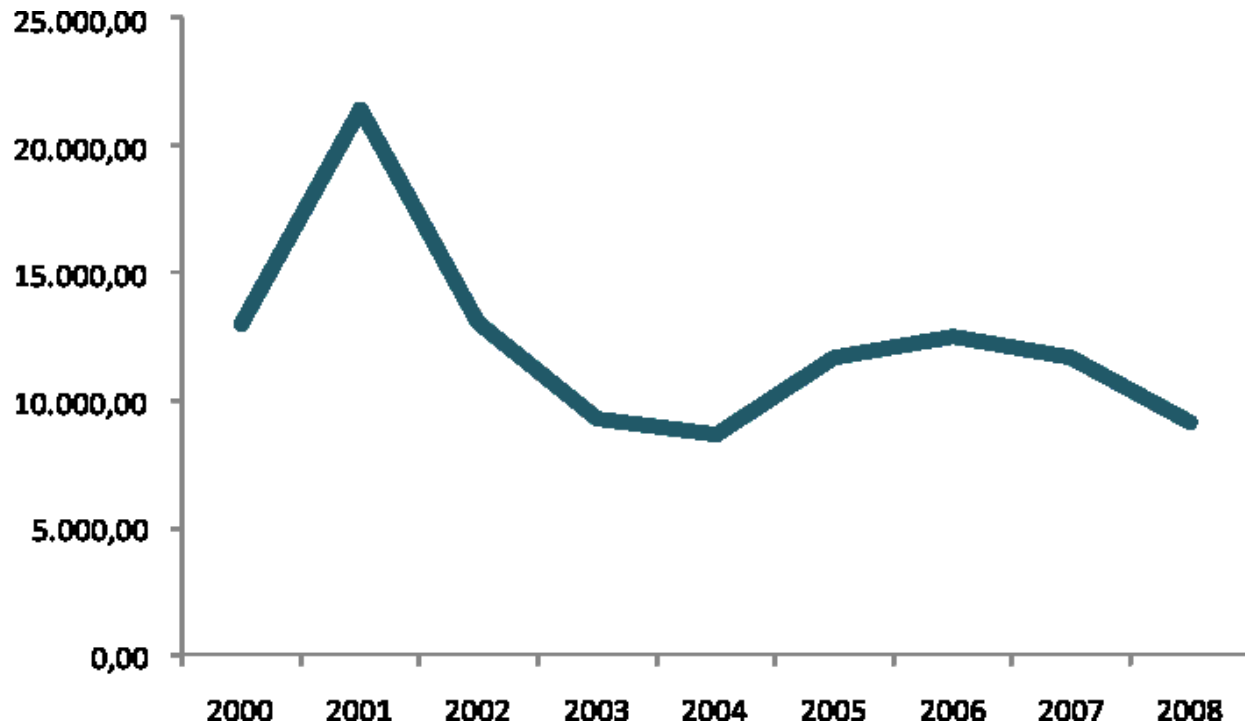
Effects of Trade—China Compared

- Comparatively, the US's trade deficit with China is 400% (i.e., 8 x larger than the deficit with Mexico). Put another way, the US imports 4 x more goods (in dollar terms) from China than it exports to China, compared to the 30% deficit with Mexico, this despite that fact that the Chinese economy is four times the size as Mexico.
- We all know the US is the greatest consumer in the world. As a result, in the world economy in which we live, the days of a trade surplus for the United States are probably gone forever.
- To adapt to this new world economy, US businesses focused on investing directly countries around the world, bring profits and high level jobs back home. This fuels the economy by injecting cash into the US economy, which is used to build homes, schools, bridges and roads.
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US FDI Into Mexico

US Direct Foreign Investment into Mexico (Millions of USD)





Is US-Mexico “Social Cohesion” a Dream?



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FOLLOW-UP QUESTIONS?

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