

U.S.-MEXICO TRADE POLICY: RECOVERING FROM COVID AND BEYOND

For the past 20 years, two-way trade in goods between Mexico and the United States has increased substantially from \$81.4 billion in 1993 to \$538.06 billion in 2020. Mexico has stood as the United States' second largest export market since 1995, shortly after the North American Free Trade Agreement (NAFTA) was instated, with a total value of \$212.67 billion in 2020.¹ For the first six months of 2019, Mexico was the United States' top largest goods trading partner with \$614.5 billion in total goods trade, supplanting China amidst the U.S.-China trade wars.^{1,2}

In March 2020, Pacific Council members wrote an article³ warning of the impending economic impact the pandemic would have on Mexico's economy, stating, "...with 80 percent of its exports destined for the United States, a U.S. recession always has an outsized impact on the Mexican economy. If it's true that 'when the U.S. economy sneezes, Mexico catches a cold,' we shudder to contemplate what happens in the world of COVID-19."

Mexico indeed suffered its steepest recession in almost 90 years as the coronavirus pandemic ravaged the globe. The Bank of Mexico recently signaled that economic recovery may be on the way as the final three months of 2020 were stronger than anticipated. However, President Andrés Manuel López Obrador has injected little stimulus into the economy and the country has struggled to obtain vaccines.^{4,5}

The pandemic severely impacted supply and commercial value chains between the United States and Mexico. Bilateral trade between Mexico and the U.S. was down 13 percent in 2020, totaling \$506 billion. Trade with Mexico is vital to the U.S. economy; therefore, investing in Mexico's recovery is ultimately in the best interest of the North American trading block.¹



The Pacific Council's Mexico First 100 Days Memo advocates strongly for strengthening the North American region under the auspices of the United States-Mexico-Canada Agreement (USMCA) to ultimately build a more integrated and cooperative trading block among the three countries, and to counterbalance a rising China.

¹ CalChamber Advocacy - Trading Partner Portal: Mexico: <https://advocacy.calchamber.com/international/portals/mexico/>

² Office of the United States Trade Representative: Mexico: <https://ustr.gov/countries-regions/americas/mexico>

³ Pacific Council Newsroom: Implications of COVID-19 for Mexico: <https://www.pacificcouncil.org/newsroom/implications-covid-19-mexico>

⁴ Reuters: Mexico Central Bank paints rosier picture of economic recovery: <https://www.reuters.com/article/us-mexico-economy/mexico-central-bank-paints-rosier-picture-of-economic-recovery-idUSKBN2AV2P9>

⁵ Bloomberg: Mexico Central Bank Boosts 2021 GDP Growth Forecast to 4.8%: <https://www.bloomberg.com/news/articles/2021-03-03/mexico-s-central-bank-sees-the-economy-growing-4-8-this-year>

Specifically, the Pacific Council recommends the Biden administration take the following actions to promote North American trade and cooperation:

- 1** Invite President López Obrador and Canadian Prime Minister Justin Trudeau to Washington for a North America Summit as soon as it is safe and practical to do so.
- 2** Leverage the USMCA to address difficulties in the relationship and promote further cooperation between the United States and Mexico.
- 3** Create a bipartisan panel to set common regulatory frameworks and integrate markets within the USMCA infrastructure.

To read more on these policy recommendations and others related to U.S.-Mexico relations, please visit: <http://features.pacificcouncil.org/first-100-days-memo-us-mexico-policy>.

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The Council is committed to representing and addressing California's diverse perspectives and challenging all citizens to think critically about global issues. We believe that community awareness, civic participation, and cross-sector partnerships improve local leadership on global issues and lead to better policy outcomes.

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