

MEXICO IS NOT THE ENEMY

By Juan Carlos Mendoza



At the end of 2021, the United States had a large trade deficit because its economy continues to make more purchases of goods and services from the world than it sells abroad. This is not a new result, it's a structural problem of the US economy. A review of the trade balance for the last five years (2017-2021) shows that each year of this period, the US economy closed with a trade deficit. Former President Donald Trump blamed Mexico and NAFTA for being responsible for part of this trade deficit, but the numbers show that Mexico is not only not the enemy that was said, but, on the contrary, it's a strategic partner of greatest importance for the United States.

The good news for the United States in 2021 was that its exports grew. The bad news was that its purchases abroad grew more than its sales. According to the Census Bureau, in 2021 the United States bought goods and services from the world for an amount of 3 trillion 387.7 billion dollars, while its sales reached only 2 trillion 528.5 billion dollars. The difference between both amounts takes us to the annual deficit rounding up to 859.1 billion dollars with a growth of 182.4 billion dollars compared to 2020.

The economic power of the United States allows it to be the only country capable of supporting this structural trade imbalance. The main causes of this imbalance are internal, but if we were to blame external sellers as Trump and his followers do, the two main people responsible for selling the United States much more goods and services than they buy from it, are China, which caused a trade deficit of 355.3 billion dollars and the European Union with 219.6 billion dollars. They are the cause of more than half of the US trade deficit.

In third place, Mexico would come in as the alleged responsible for causing the United States a trade deficit of 108.2 billion dollars. However, in the case of Mexico there are additional factors that neither China nor the European Union have, Mexico and the United States produce together from value chains, in such a way that Mexican exports to the United States incorporate 40% of American components, which is not the case with China, whose finished products exported to the United States incorporate only 4% of American components. This characteristic is explained because the United States and Mexico together with Canada are trading partners through a free trade agreement. In the Canadian case, the finished products that it sells to the United States incorporate 25% American components.

But we still have an additional factor. The commercial surplus that Mexico obtains each year from its trade with the United States does not allow us to see in cold numbers that in the manufactured products of the automotive industry as well as in household appliances, we have to incorporate the components that Mexico buys from the Asia Pacific countries, mainly to China, as well as European countries. This means that Mexico also has a very high trade deficit with countries such as China, Japan, South Korea and some of the European Union. In other words, the trade surplus that Mexico has each year with the United States is used to cover the trade deficit generated by purchases in third countries that are included as components in the finished products that it exports to the United States.

The foreign trade indicators of the United States released by the Census Bureau also show that, during 2020, Mexico bought products from the United States for 211.4 billion dollars, an amount higher than the combined purchases made from the United States by the following countries Europe: Belgium, France, Germany, Italy, Spain, Sweden and the United Kingdom.

More than 5 million jobs in the United States depend on trade with Mexico. This was reflected in 2021 in a bilateral trade of 661 thousand 164 million dollars, which represents 14.4% of the total trade of the United States with the world, only surpassed by the bilateral trade of the United States with Canada, which in 2021 was 664 thousand 161 million dollars, equivalent to 14.5% of our neighbor's total trade.

The facts and the numbers fully show that, with regard to the structural problem of the United States' international trade deficit, Mexico, far from being the enemy, is a strategic ally of great value, especially when the pandemic has led to, in the new economic paradigm, proximity and security in the supply of production chains is more important than a lower price that implies greater distances.

Mexico and the United States are neighbors, friends and strategic partners. We are North America!

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