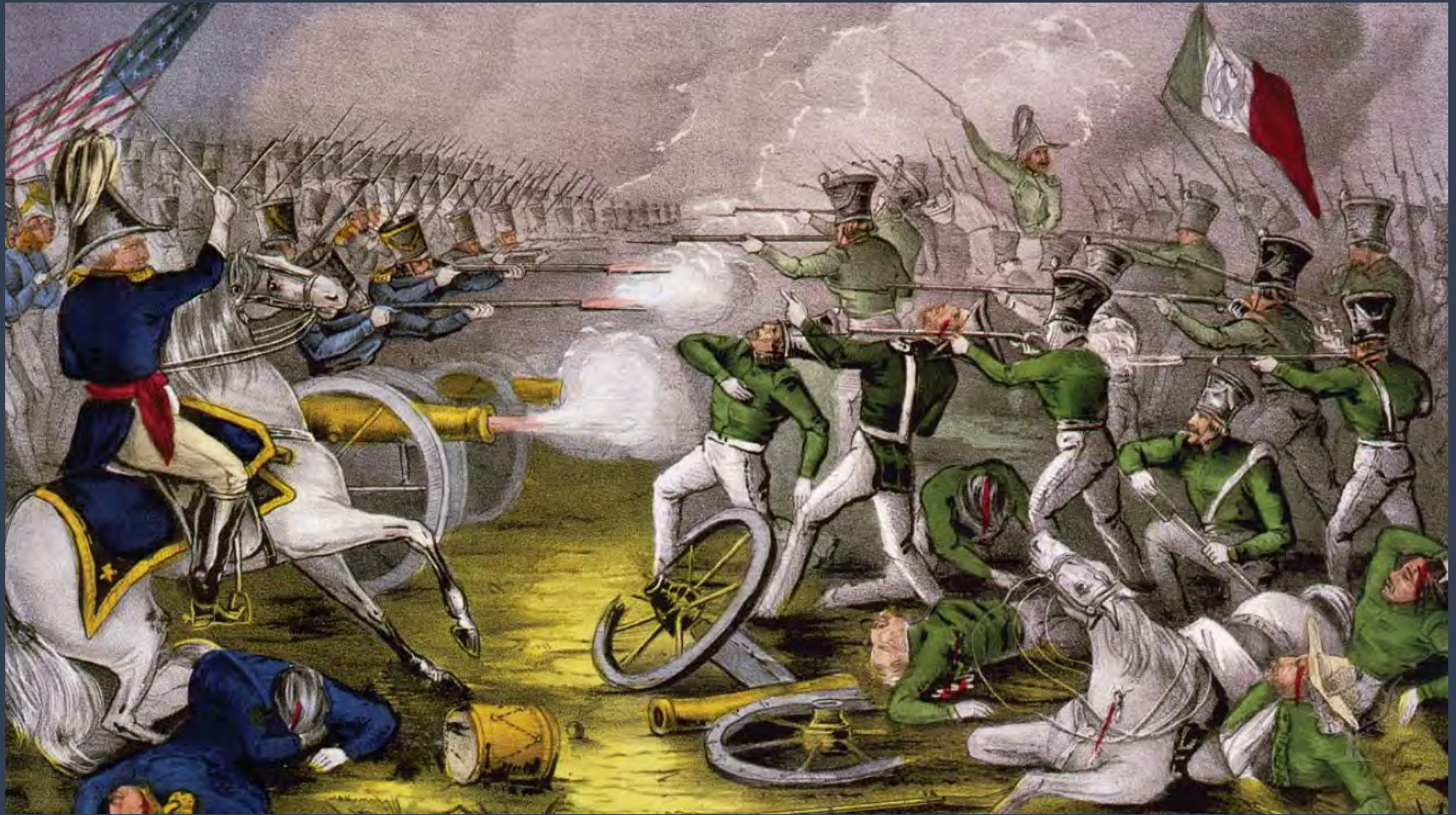


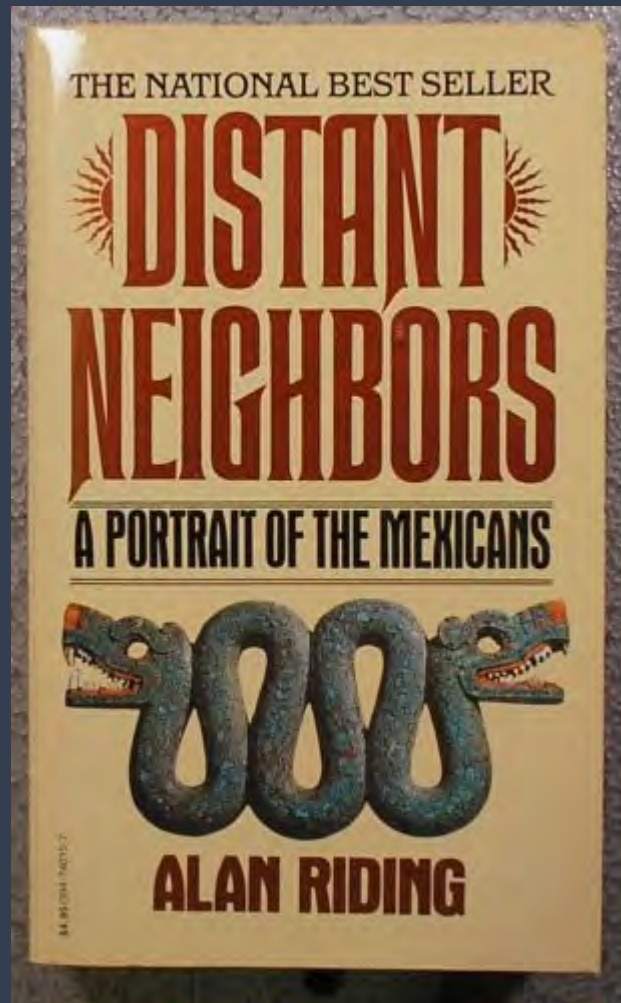
From NAFTA to the USMCA (to... ?)



1835



1846



**Distant Neighbors: A Portrait of the
Mexicans by Alan Riding (1984)**



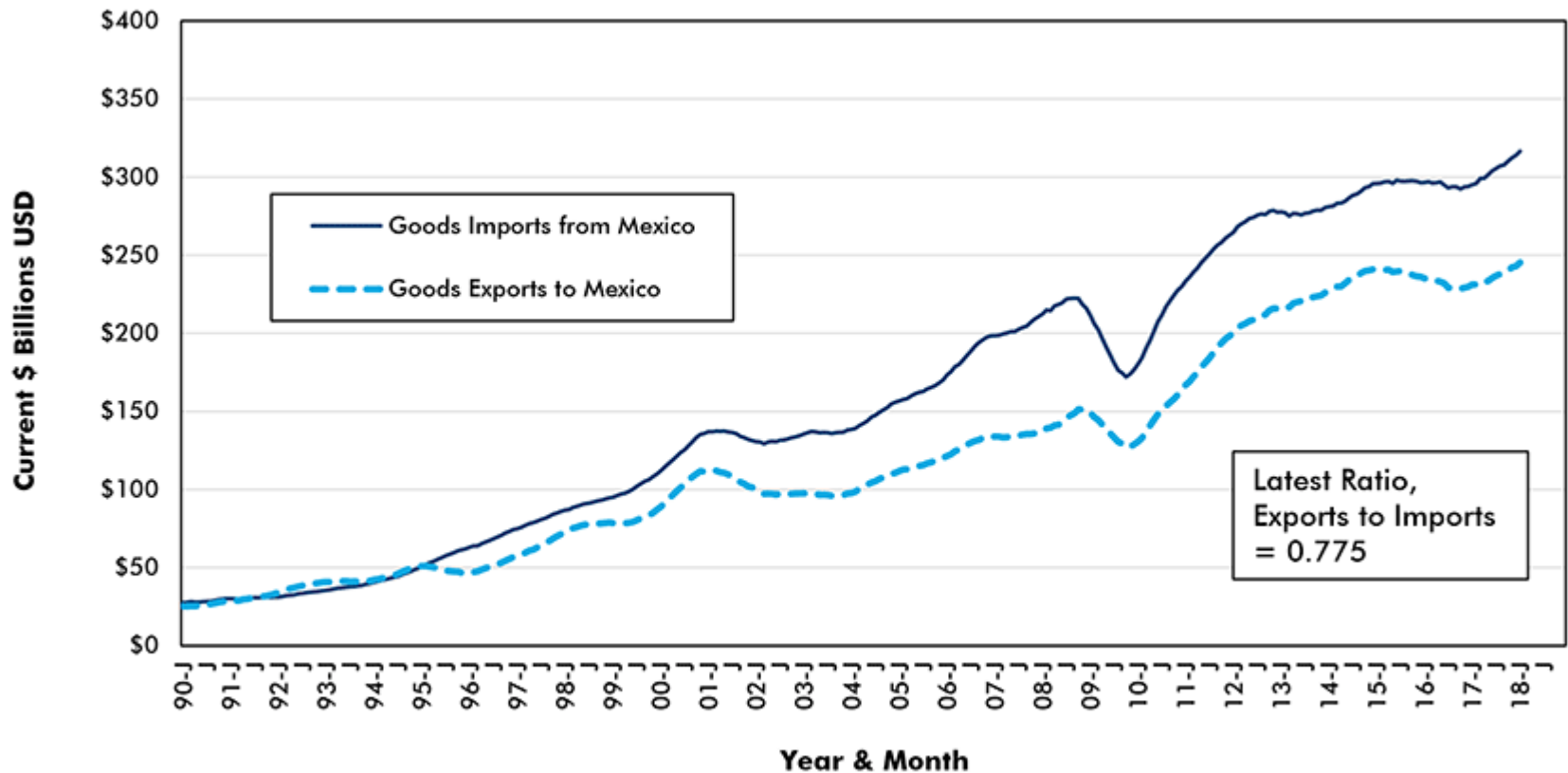
Austin TX, October 1992

Mexico and the US entered into the original NAFTA talks for different reasons

- For Mexico,
 - Secured **access** to the large export market north of the border
 - Promise of **wage convergence** to US/Canada levels.
 - Offered a **new economic model** based on openness and integration, after the repeated failure of closed, inward looking policies.
- For the US,
 - NAFTA was a tool for economic policy – pursuing comparative advantage and competitive **supply chains**
 - An instrument for **foreign policy**: provide stability and growth in Mexico, therefore reducing northbound migration, and turning Mexico into a geopolitical partner.

U.S. Merchandise Trade with Mexico

(12-month moving totals – placed in latest month)



Data source: U.S. Bureau of Economic Analysis (BEA)

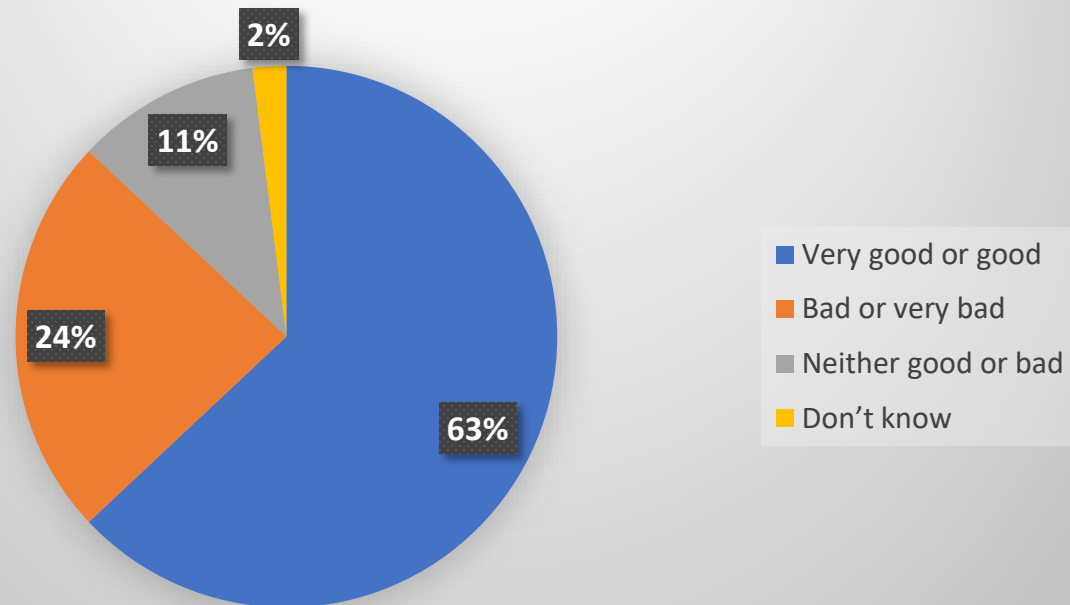
Chart: ConstructConnect.

Did NAFTA achieve its goals?

- For Mexico,
 - Secured **access** to the large export market north of the border **YES**
 - Promise of **wage convergence** to US/Canada levels. **NO**
 - Offered a **new economic model** based on openness and integration, after the repeated failure of closed, inward looking policies. **YES**
- For the US,
 - NAFTA was a tool for economic policy – pursuing comparative advantage and competitive **supply chains YES, but Regionally uneven**
 - An instrument for **foreign policy**: provide stability and growth in Mexico, therefore reducing northbound migration, and turning Mexico into a geopolitical partner. **HUGE YES**

What is your opinion about the US?

July, 2020



Source: El Financiero

Then, in 2016...



"I'm going to tell our NAFTA partners that I intend to immediately renegotiate the terms of that agreement to get a better deal for our workers. And I don't mean just a little bit better, I mean a lot better.

"If they do not agree to a renegotiation, then I will submit notice under Article 2205 of the NAFTA agreement that America intends to withdraw from the deal."

*Donald J. Trump,
Republican Presidential Candidate*

“It’s an exercise in damage containment rather than a negotiation between equals under internationally recognized rules”

Lawrence Mills, Hong Kong’s chief trade negotiator from 1974 to 1982, referring to the negotiations of textiles and apparel quotas between Hong Kong and the United States.

Source: James Lardner, “Annals of Business, The Sweater Trade,” The New Yorker, January 11, 1988, p. 59.



Washington DC, August 2018



**Buenos Aires, Argentina,
November 30, 2018**

From NAFTA to USMCA: key changes

- **Auto sector:** tightening the requirements for regional content and adding a “high-wage” 40% requirement.
- ***Stronger rights and enforcement for Mexican workers***
- Adopting many of the upgrades originally agreed under the **TPP** (environmental rules, intellectual property protection, electronic commerce, etc)
- Improved State-to-State dispute resolution mechanisms, while reducing the scope of the Investor-State Dispute Settlement Mechanism (**ISDS**)
- Introducing a “**sunset-clause**” (16 years, renewable every 6 years)
- (Change the name: USMCA!)

U.S. House of Representatives votes

NAFTA, Nov. 17 1993

Aye 54%

Dem	102
Rep	132

Nay 46%

Dem	156
Rep	43

USMCA, Dec. 19, 2019

Aye 90%

Dem	192
Rep	193

Nay 10%

Dem	38
Rep	2

Source: govtrack.us



Washington DC, July 2020

We want to be friends...



2026

...easier said than done



TRADE



IMMIGRATION



CARTELS