NAFTA

3 CHALLENGES MEXICO FACES IN THE RENEGOTIATION

U.S. NAFTA Goals Conflict with Mexico's Goals

1 THE ELIMINATION OF CHAPTER 19

NAFTA's Chapter 19 establishes that each partner country institute a review mechanism for trade remedies. Its elimination would make it easier for a country to **implement protectionist practices** in an expeditious and comprehensive manner.

2 RESTRICTIVE RULES OF ORIGIN

NAFTA includes rules about what percentage of a product must be produced within North America in order to enter the U.S., Mexico, or Canada tariff-free. **Strict rules of origin** pose a risk to Mexico since not all inputs can be sourced domestically or in North America.

3 LABOR POLICY REFORM

If the U.S. proposes raising the **minimum wage in Mexico**—with the aim of reducing North American companies' incentive to relocate to Mexico in search of cheaper labor—this would conflict with Mexico's position that "salary policy is an internal matter." (Secretary Ildefonso Guajardo)

NAFTA's Impact on Mexico and U.S.-Mexico Relations

Exports

- U.S.-Mexico trade increased almost six times, going from USD$88 billion in 1993 to USD$482 billion in 2016.
- Mexico has consolidated its position as the United States' third-largest trading partner and second-largest export market, only after Canada.

Investment

- U.S. and Canadian foreign direct investment (FDI) into Mexico surpassed USD$250 billion, namely, 52 percent of capital inflows that Mexico received up to June 2017.
- NAFTA opened the door for Mexico to invest in the United States; in 2015, FDI stock reached USD$16.6 billion.

Manufacturing Industry

- NAFTA has been a boon for regional production of automobiles and autoparts, aircraft, and electrical machinery and plastics.
- U.S. exports to Mexico have reached USD$38.5 billion in machinery, USD$36.7 billion in electrical machinery, USD$21.6 billion in vehicles, and USD$15.3 billion in plastics.

Wilson Center
MEXICO INSTITUTE

Data and analysis from "The NAFTA Negotiations: A Mexican Perspective" by Luz Maria De La Mora Sanchez.