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NAFTA at 24

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NAFTA at 24

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NAFTA

- A 24-year-old trade agreement.
- Still badly misunderstood.
- Claims of U.S. labor market damage.
- Claims of U.S. income deterioration.
- Is NAFTA bad for the USA?



The Pancho Villa Trade Treaty

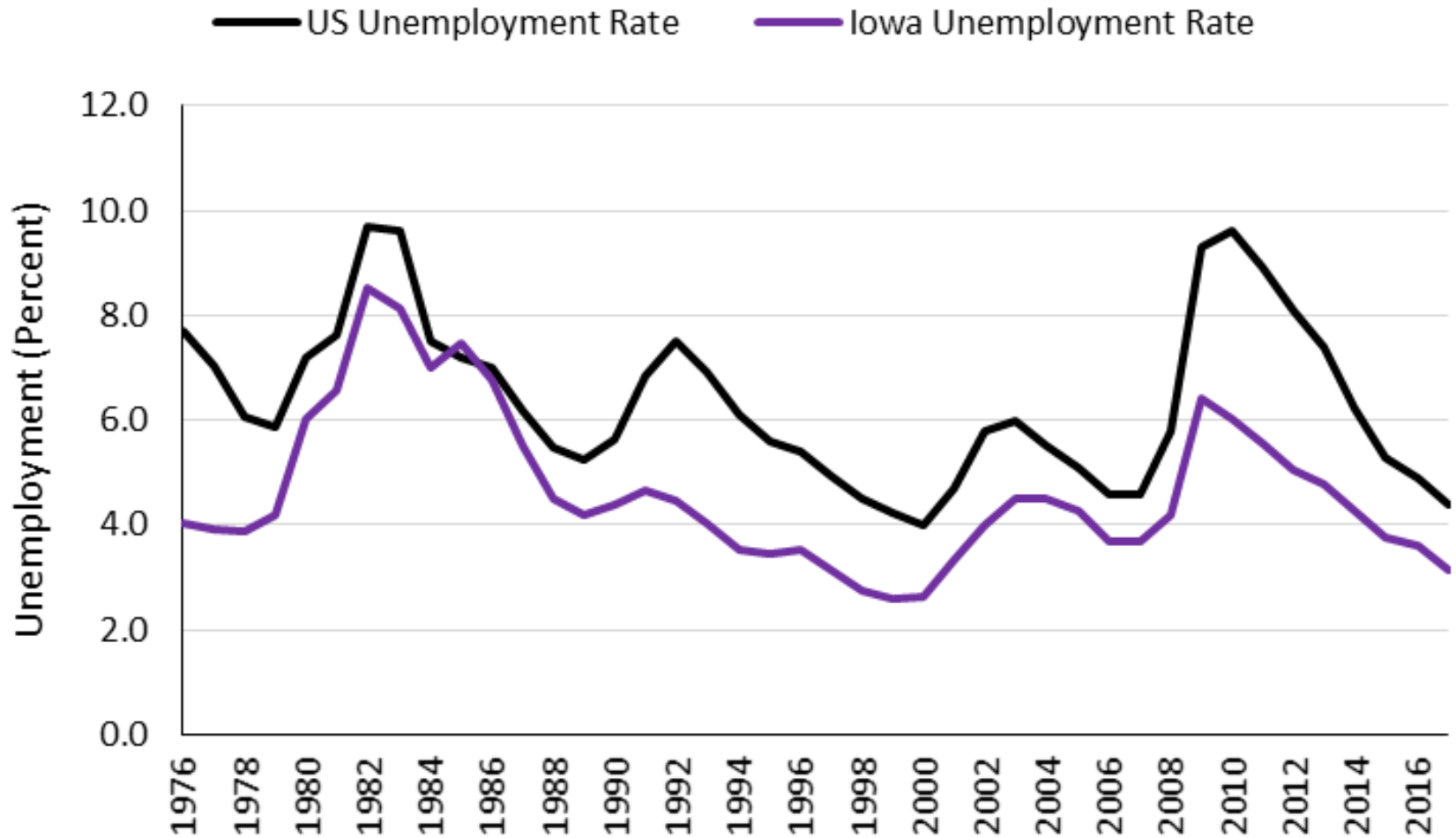
- Trade = Better Quality, More Varieties, & Lower Prices
- Involves Uncertainties & Unknowns
- Almost Always Controversial
- It is also Controversial in Mexico!
- What has Really Happened?



Labor Market Conditions

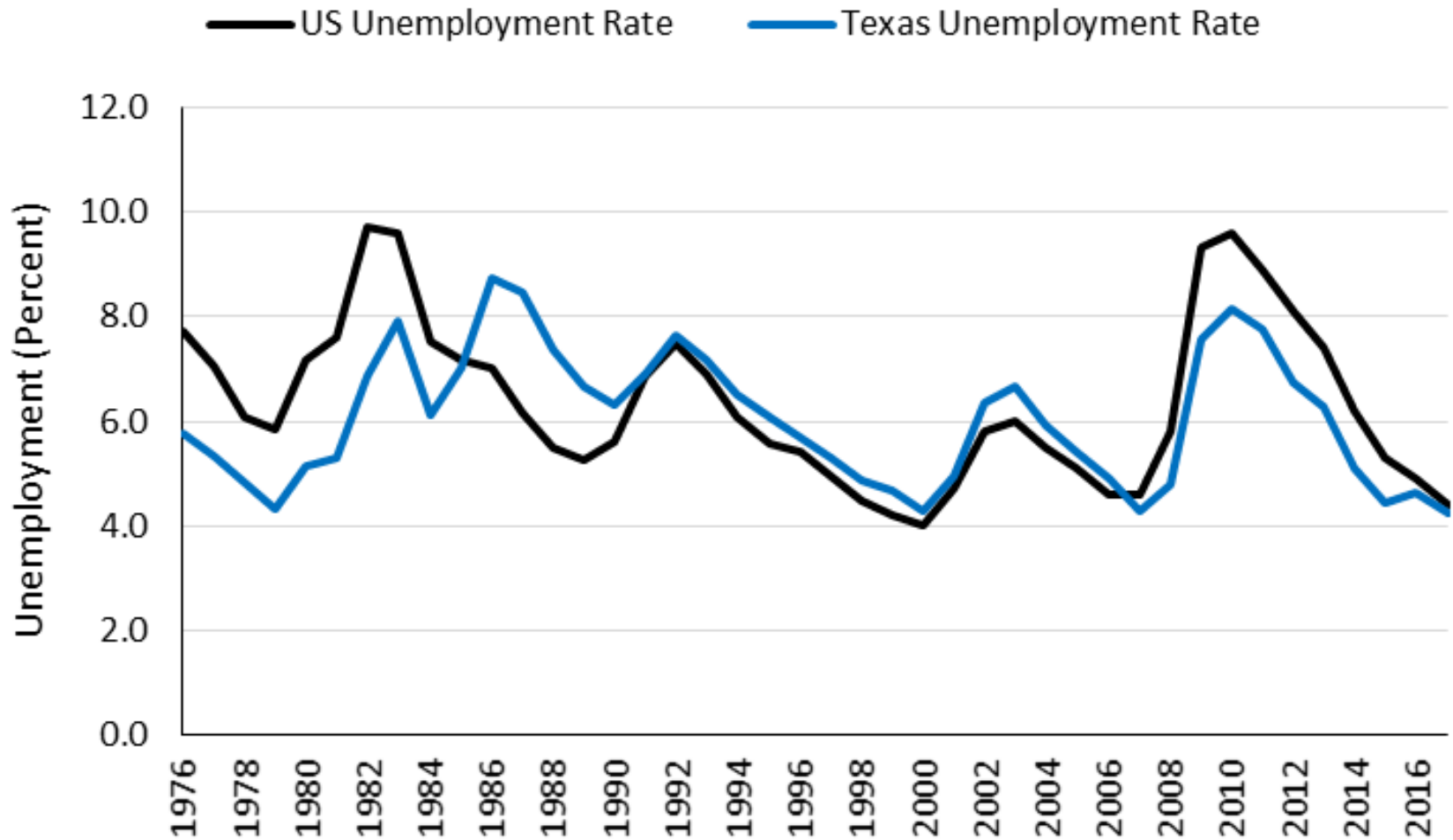
Have Labor Market
Conditions Worsened in
the USA?

U.S. and Iowa Unemployment Rates



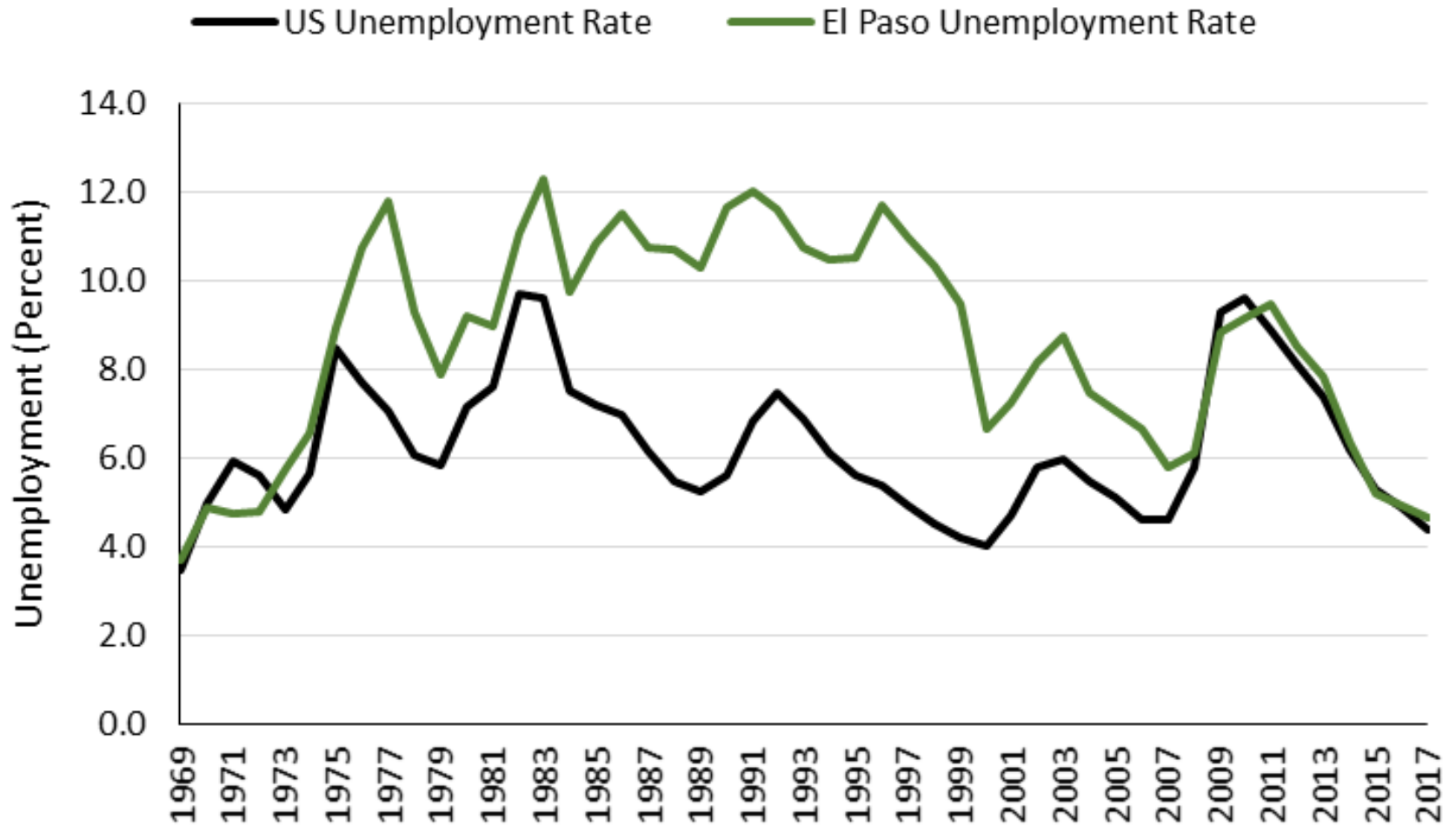
Source: Bureau of Labor Statistics

U.S. and Texas Unemployment Rates



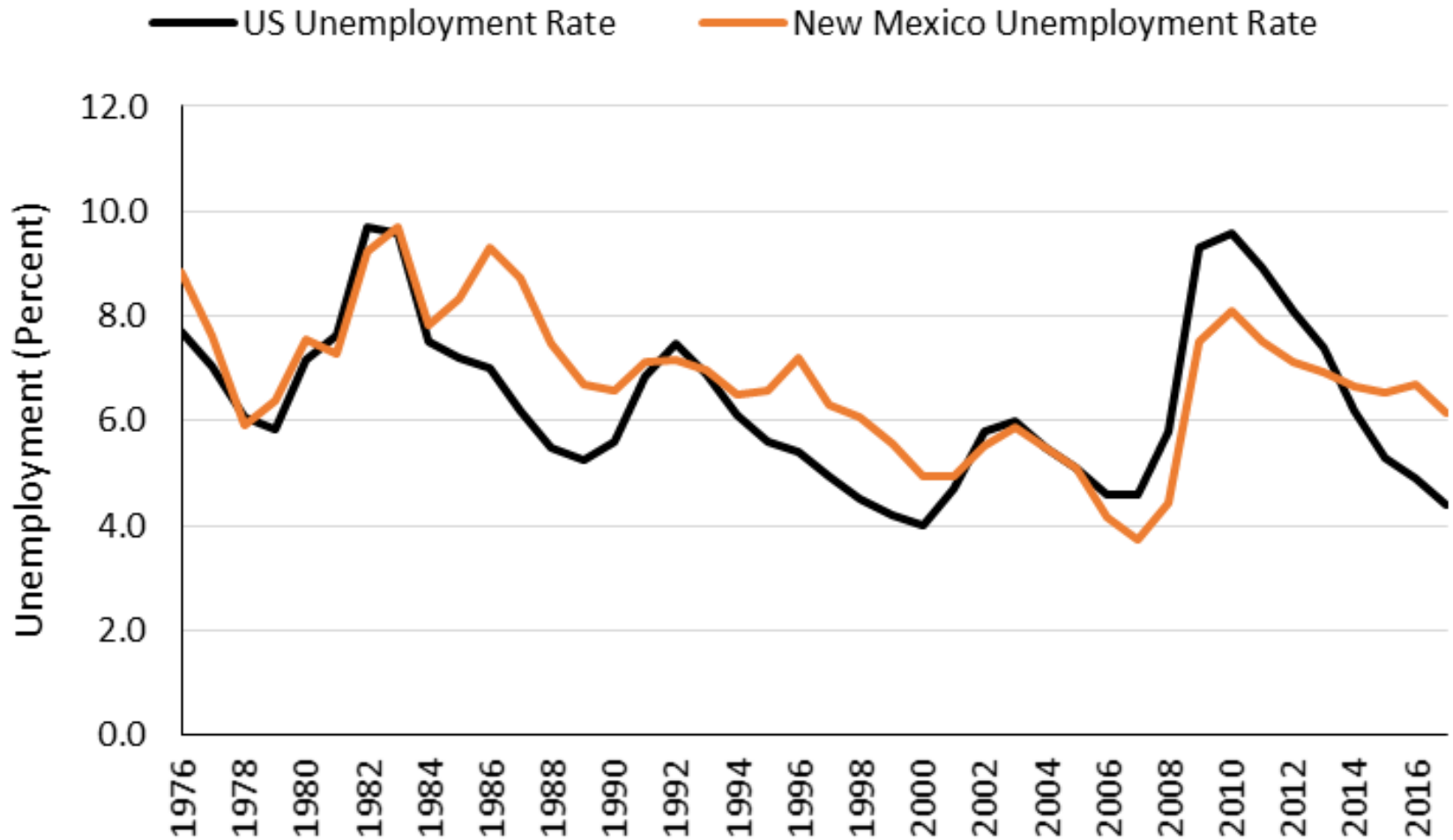
Source: Bureau of Labor Statistics

U.S. and El Paso Unemployment Rates



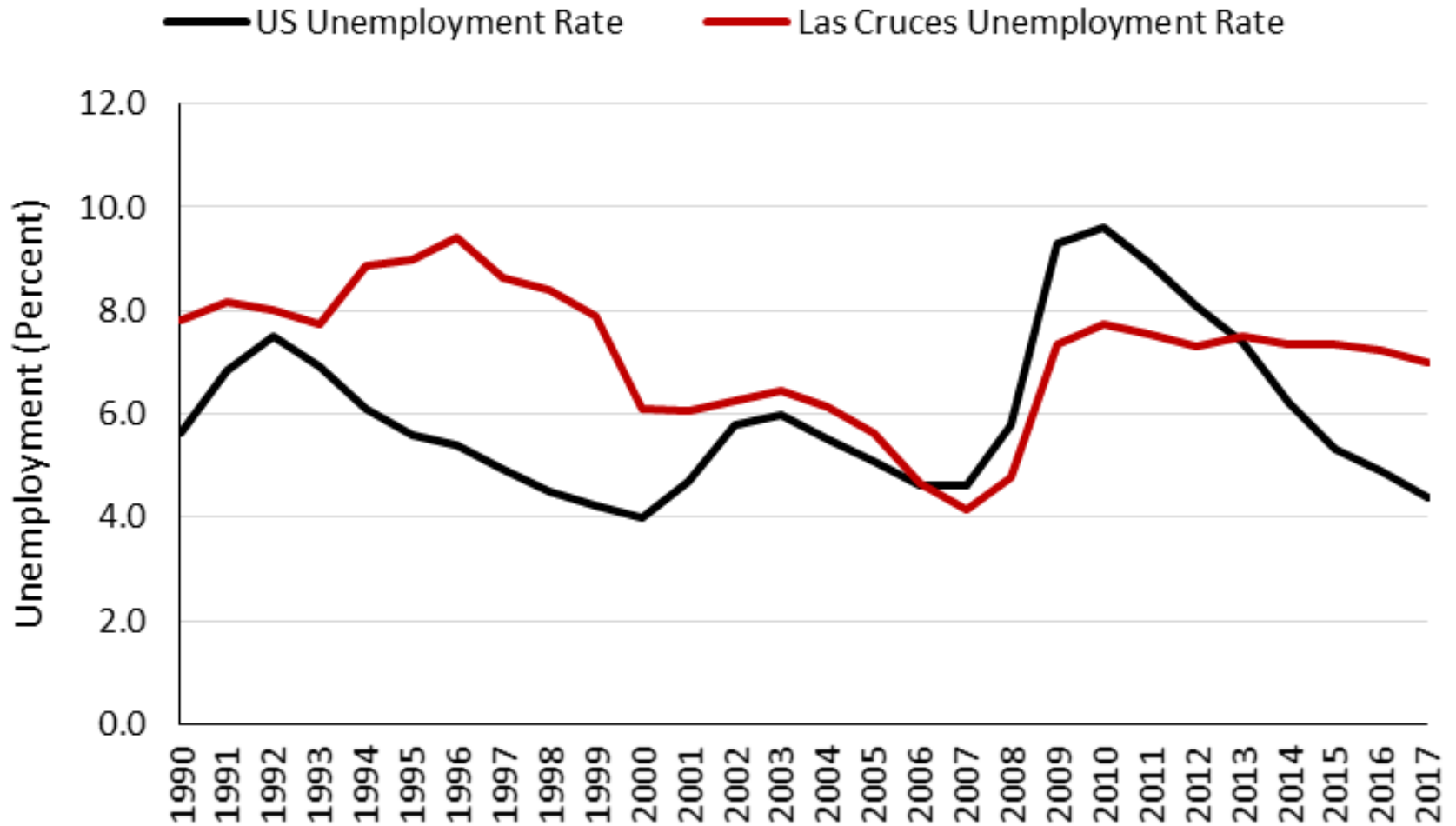
Sources: Bureau of Labor Statistics and UTEP Border Region Modeling Project

U.S. and New Mexico Unemployment Rates



Source: Bureau of Labor Statistics

U.S. and Las Cruces Unemployment Rates



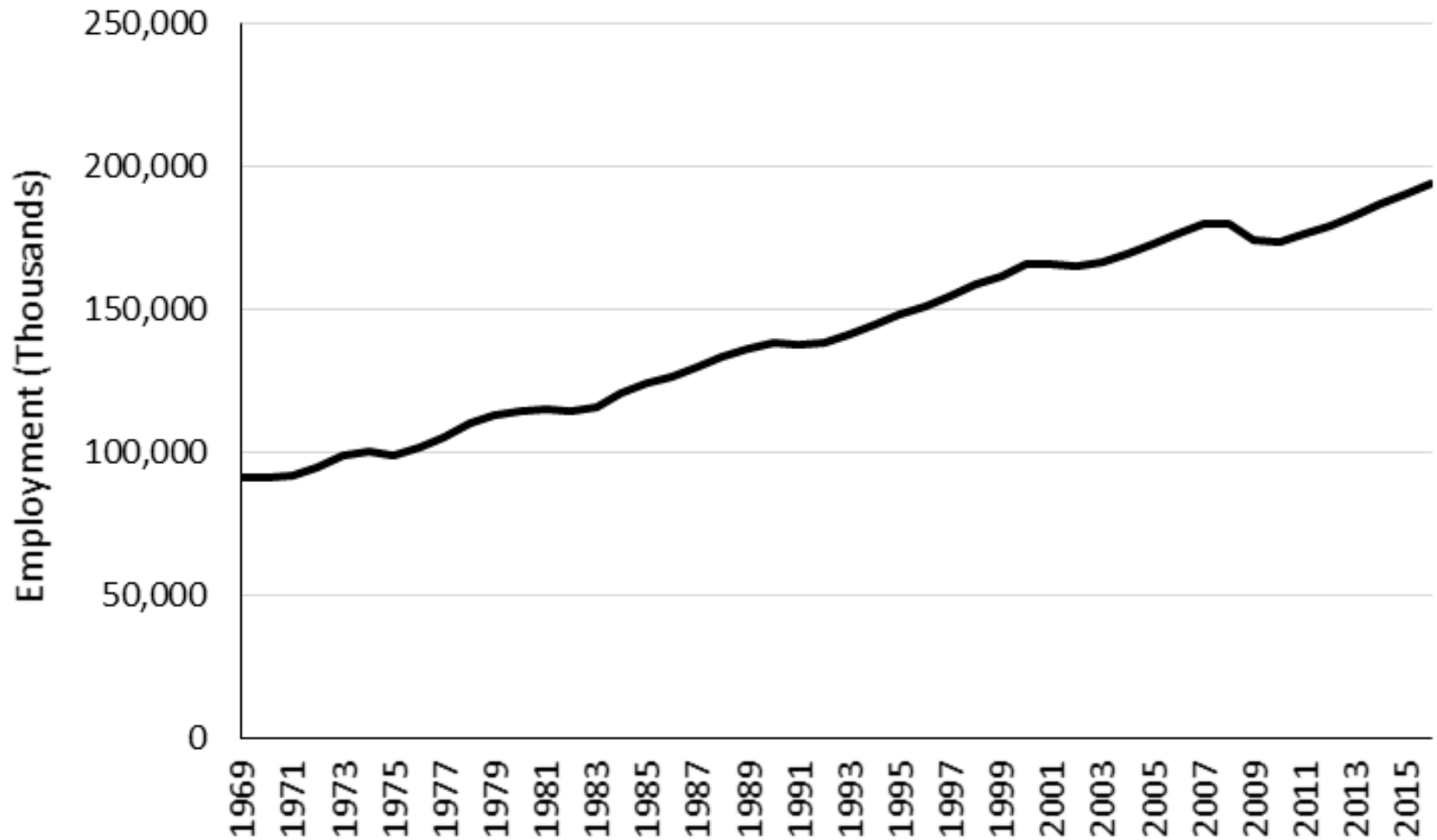
Source: Bureau of Labor Statistics



Unemployment Rates not that Bad?

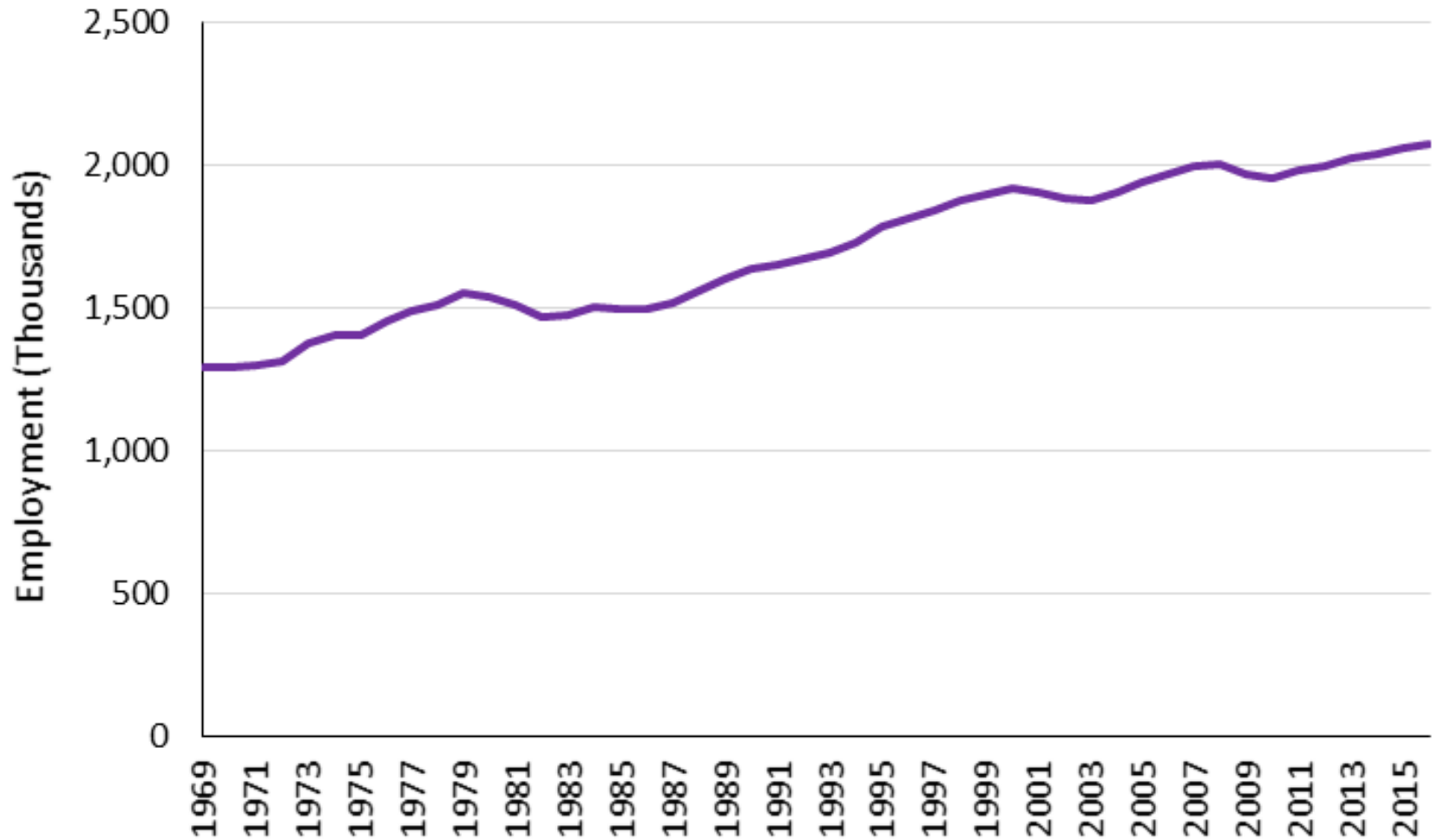
Are Jobs Deserting the
USA?

U.S. Total Employment



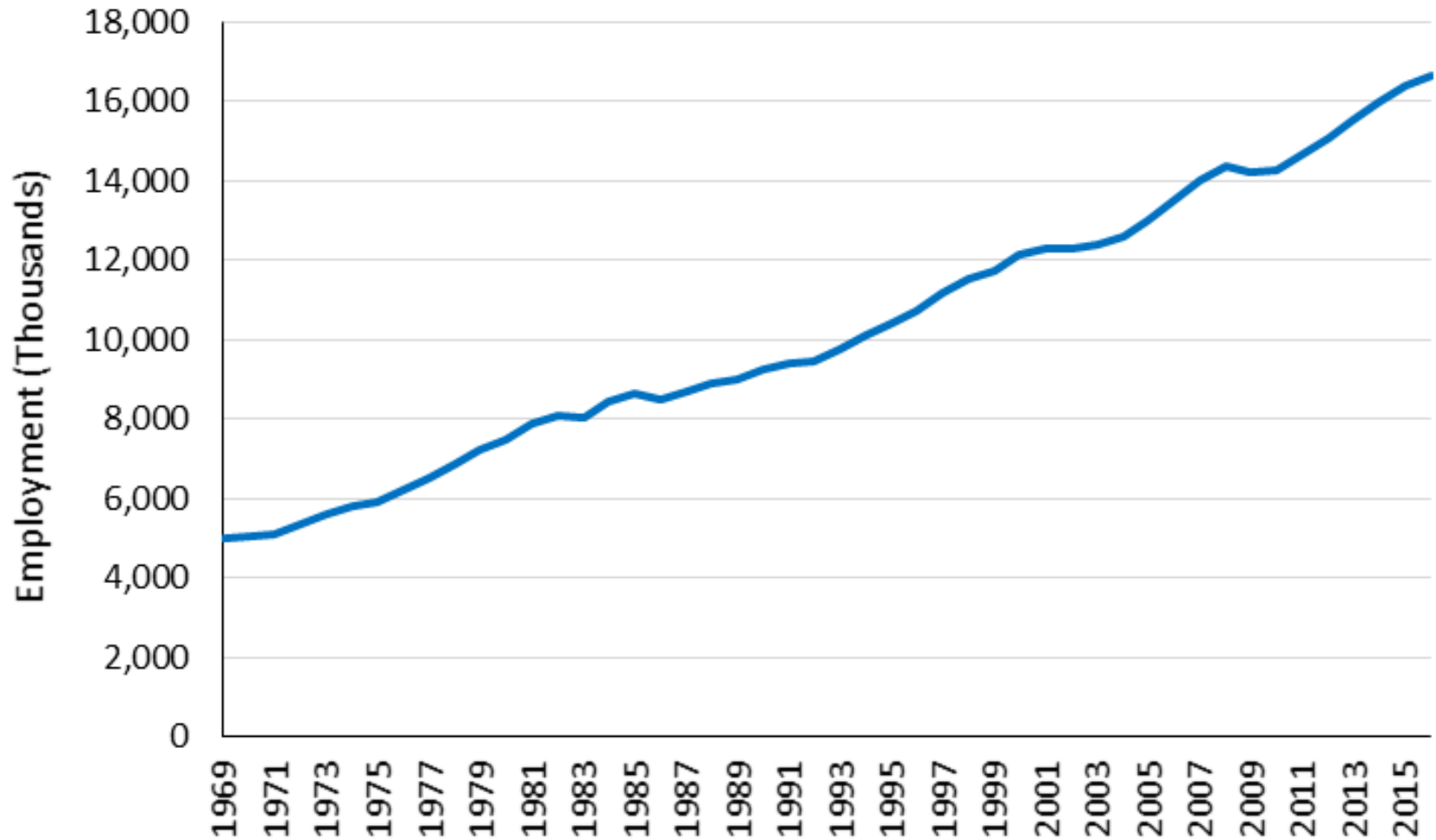
Source: Bureau of Economic Analysis

Iowa Total Employment



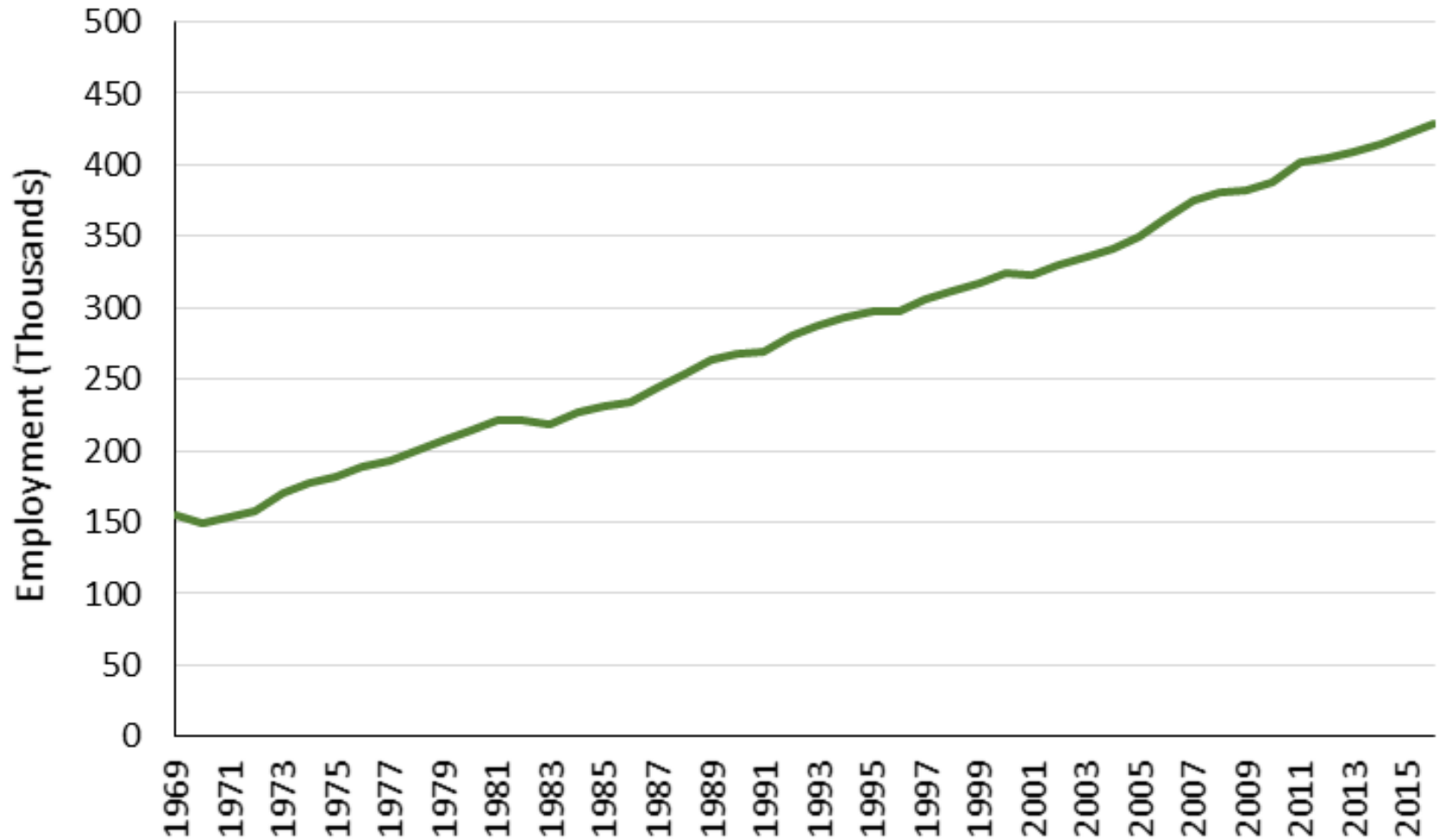
Source: Bureau of Economic Analysis

Texas Total Employment



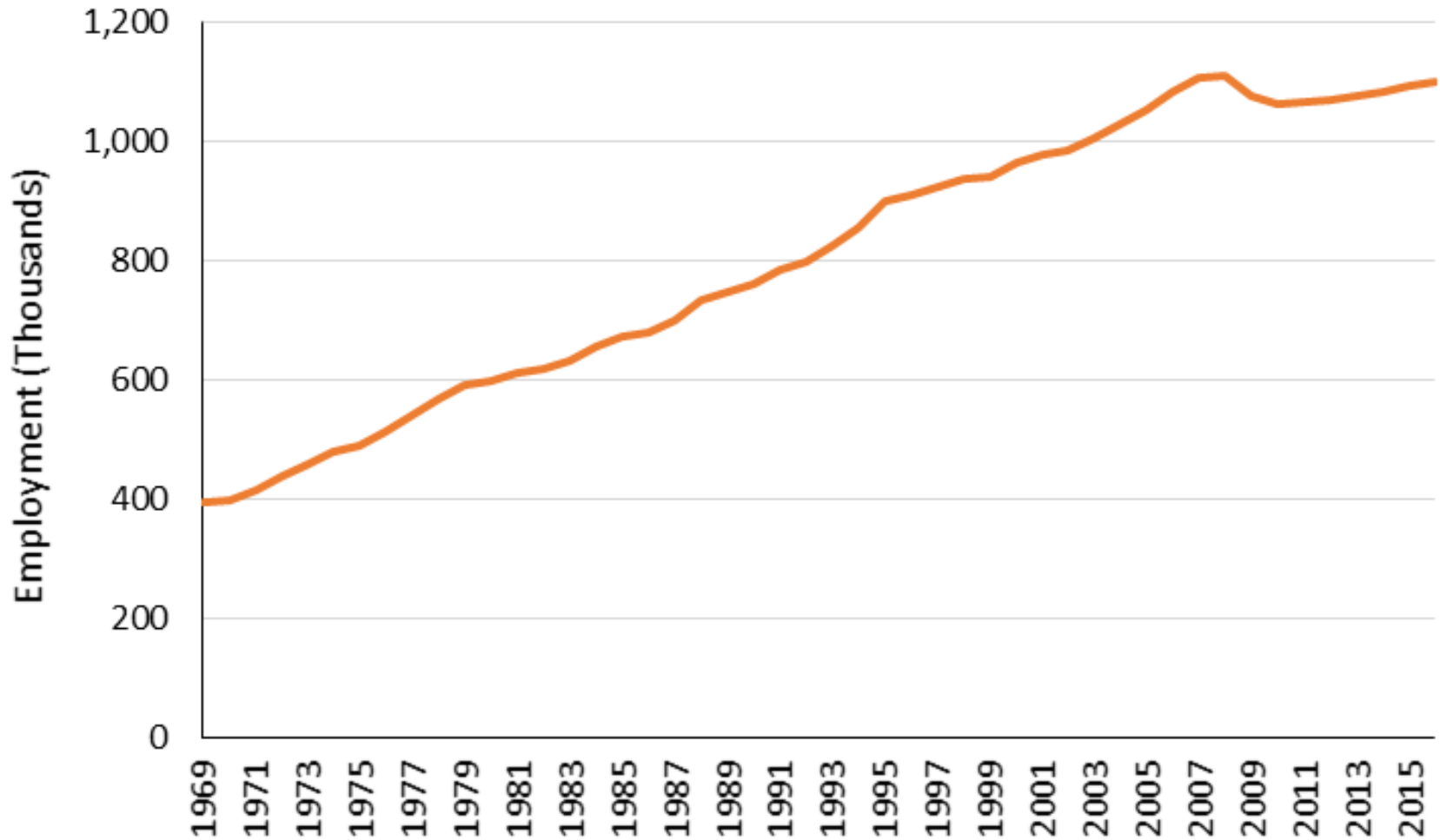
Source: Bureau of Economic Analysis

El Paso Total Employment



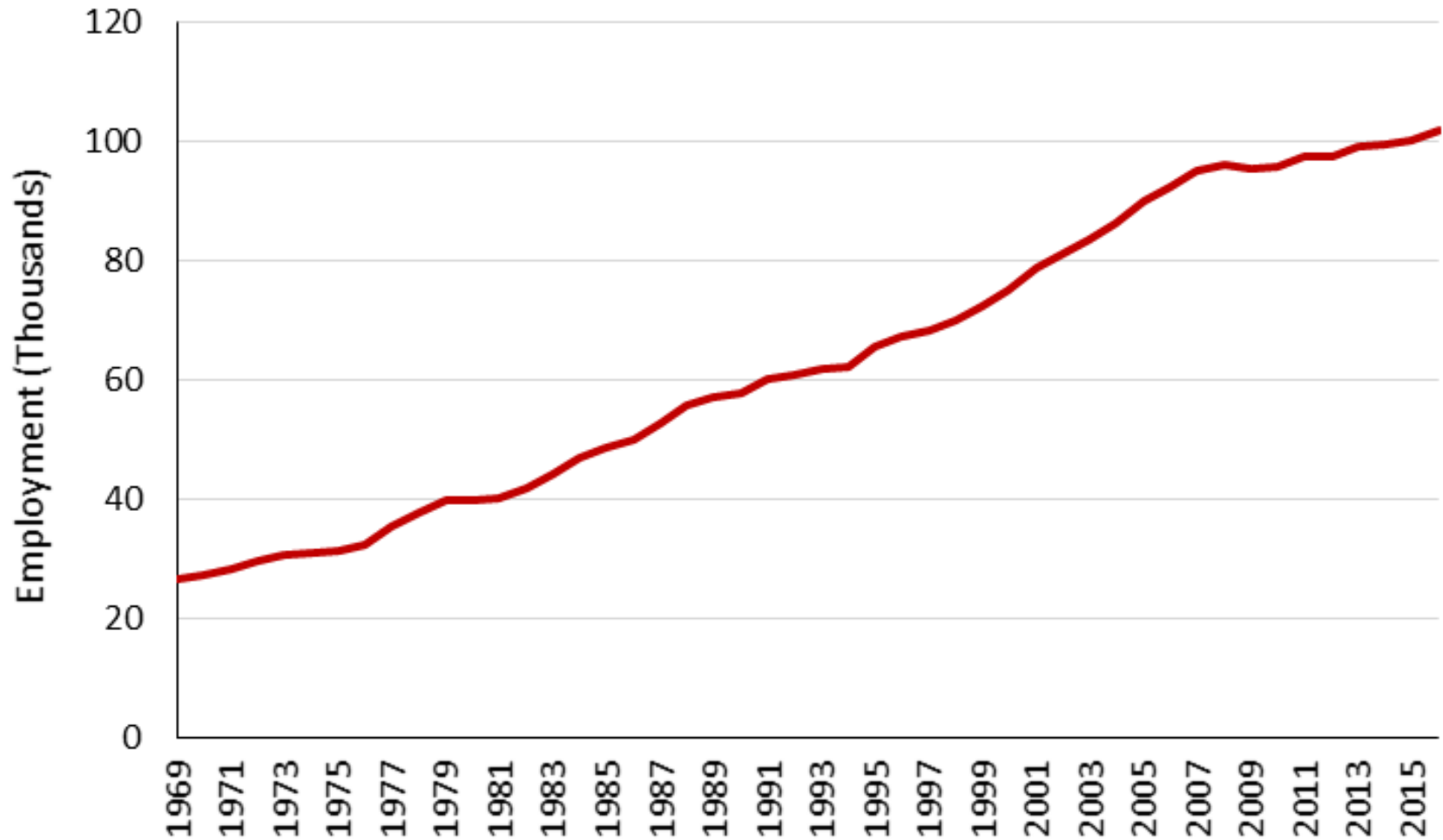
Source: Bureau of Economic Analysis

New Mexico Total Employment



Source: Bureau of Economic Analysis

Las Cruces Total Employment



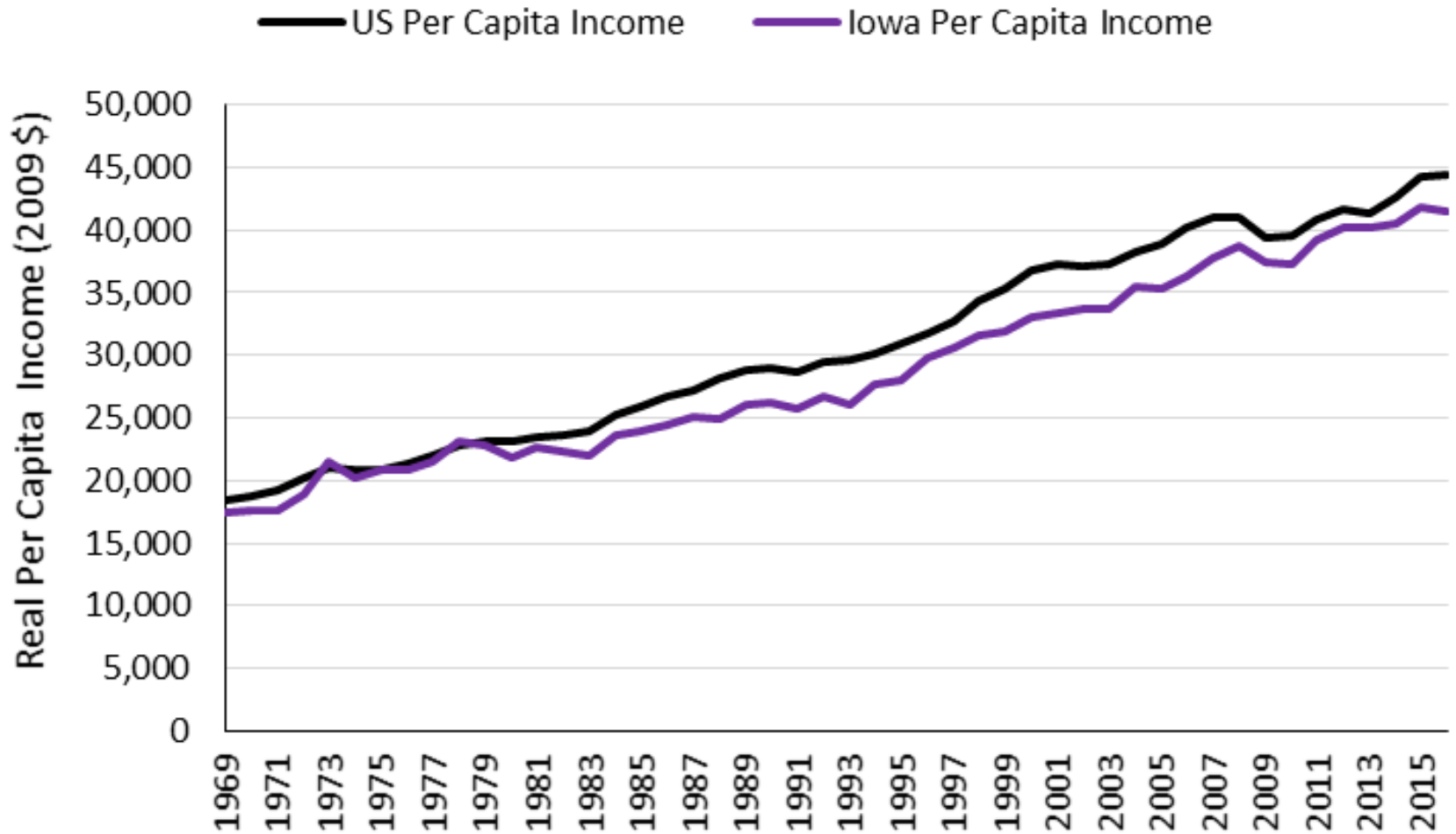
Source: Bureau of Economic Analysis



Income Performance

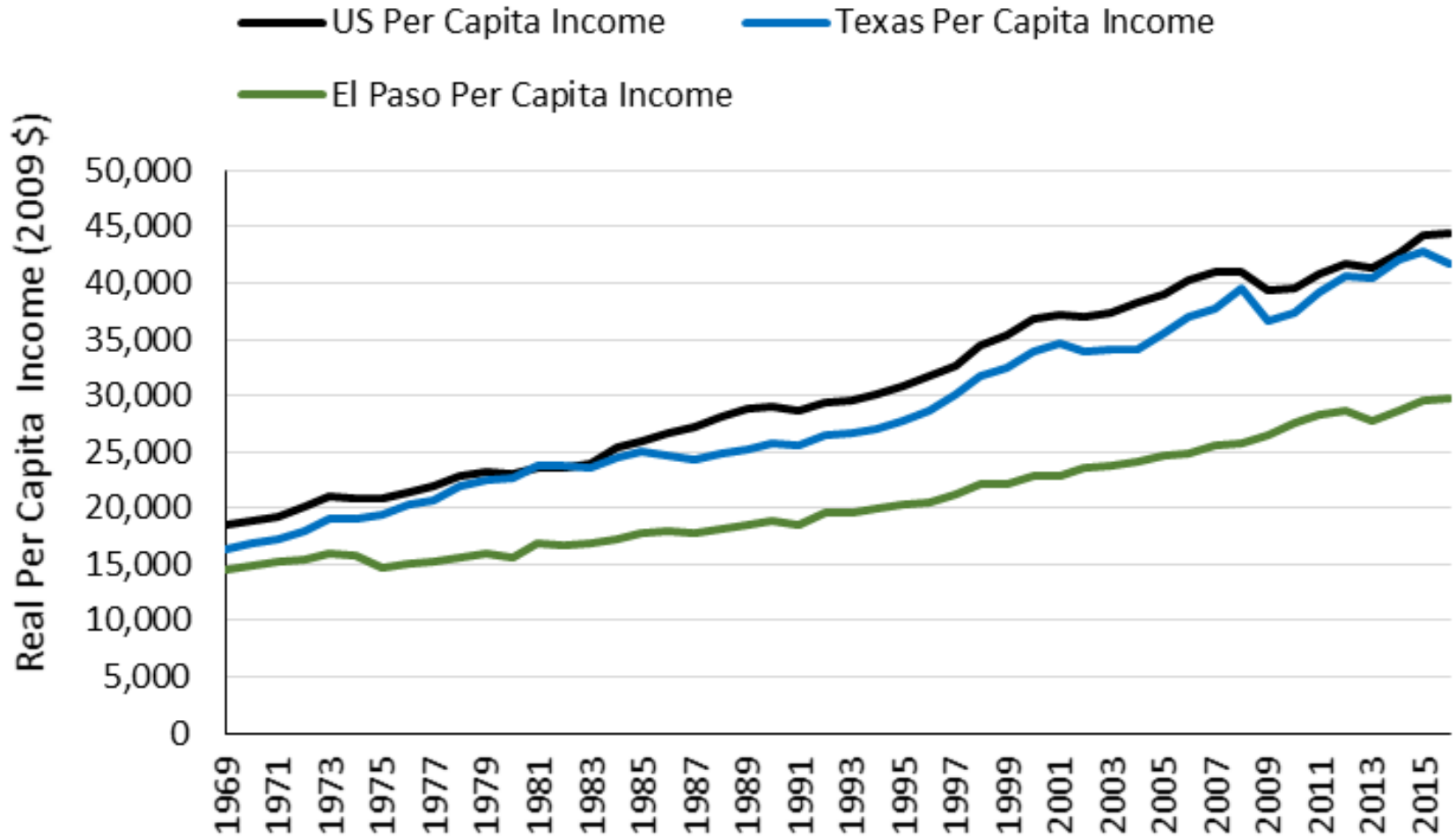
Have USA Incomes
Weakened under NAFTA?

U.S. and Iowa Real Per Capita Income



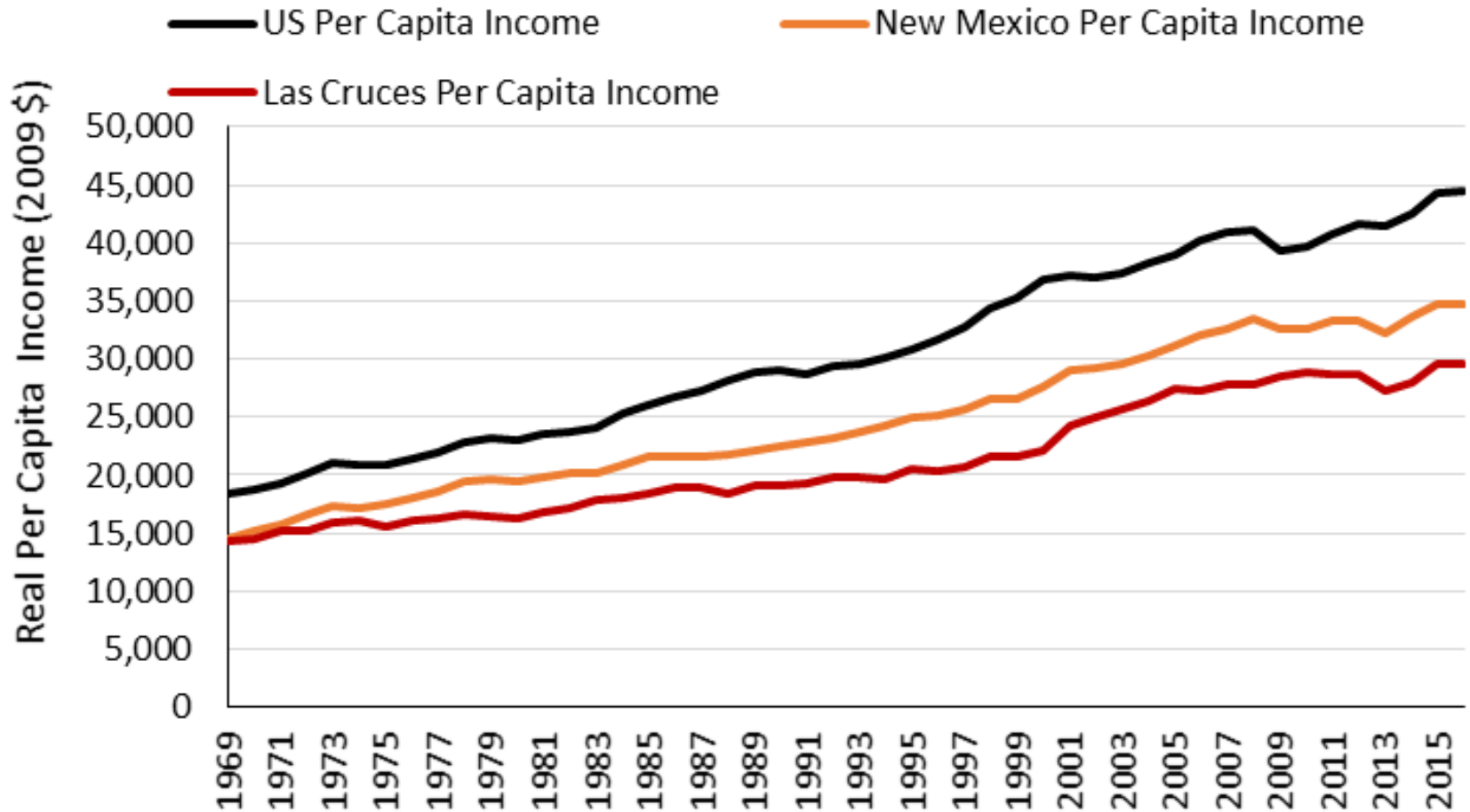
Source: Bureau of Economic Analysis

U.S., Texas, and El Paso Real Per Capita Income



Source: Bureau of Economic Analysis

U.S., New Mexico, and Las Cruces Real Per Capita Income



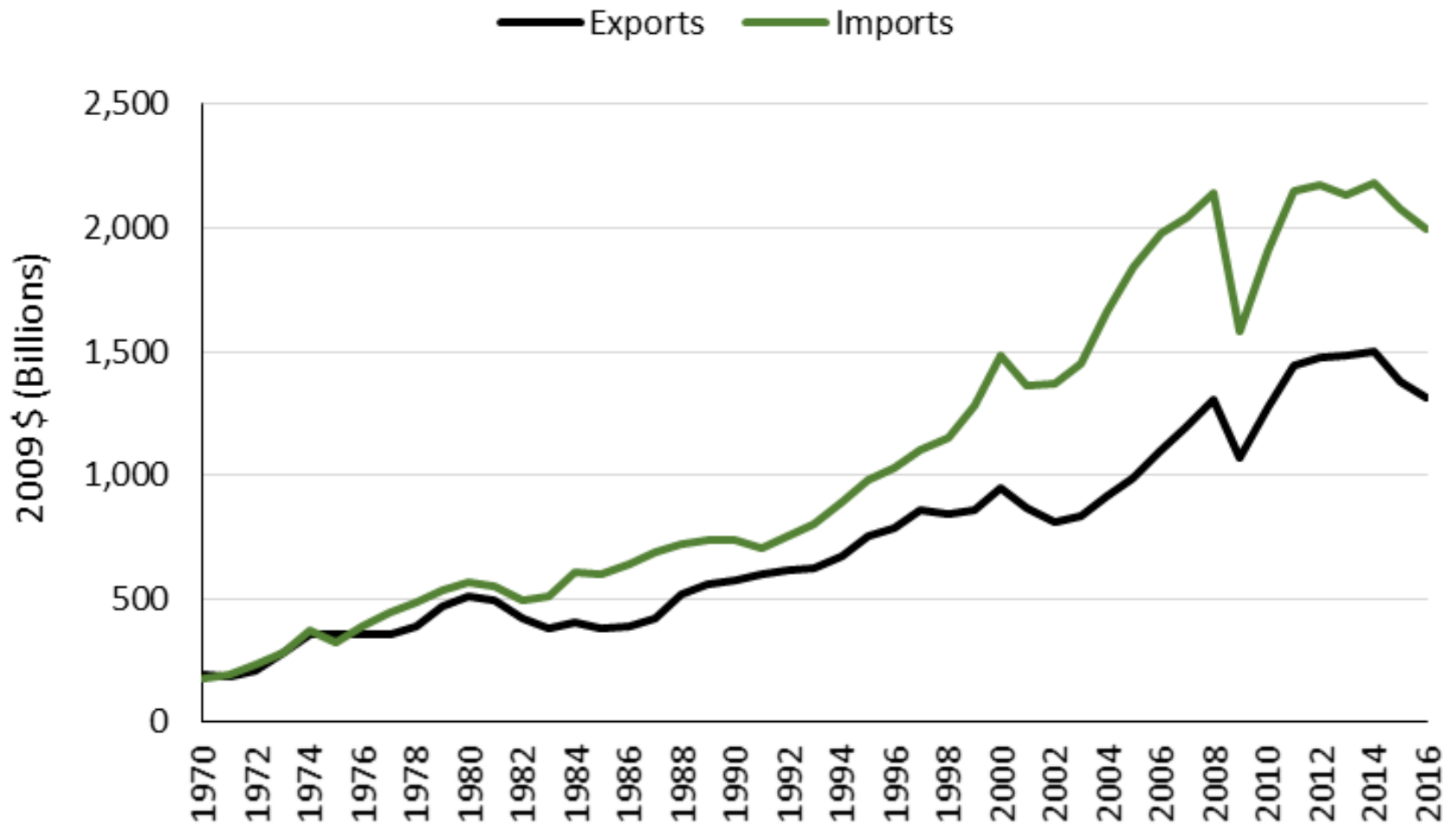
Source: Bureau of Economic Analysis & UTEP Border Region Modeling Project



International Trade

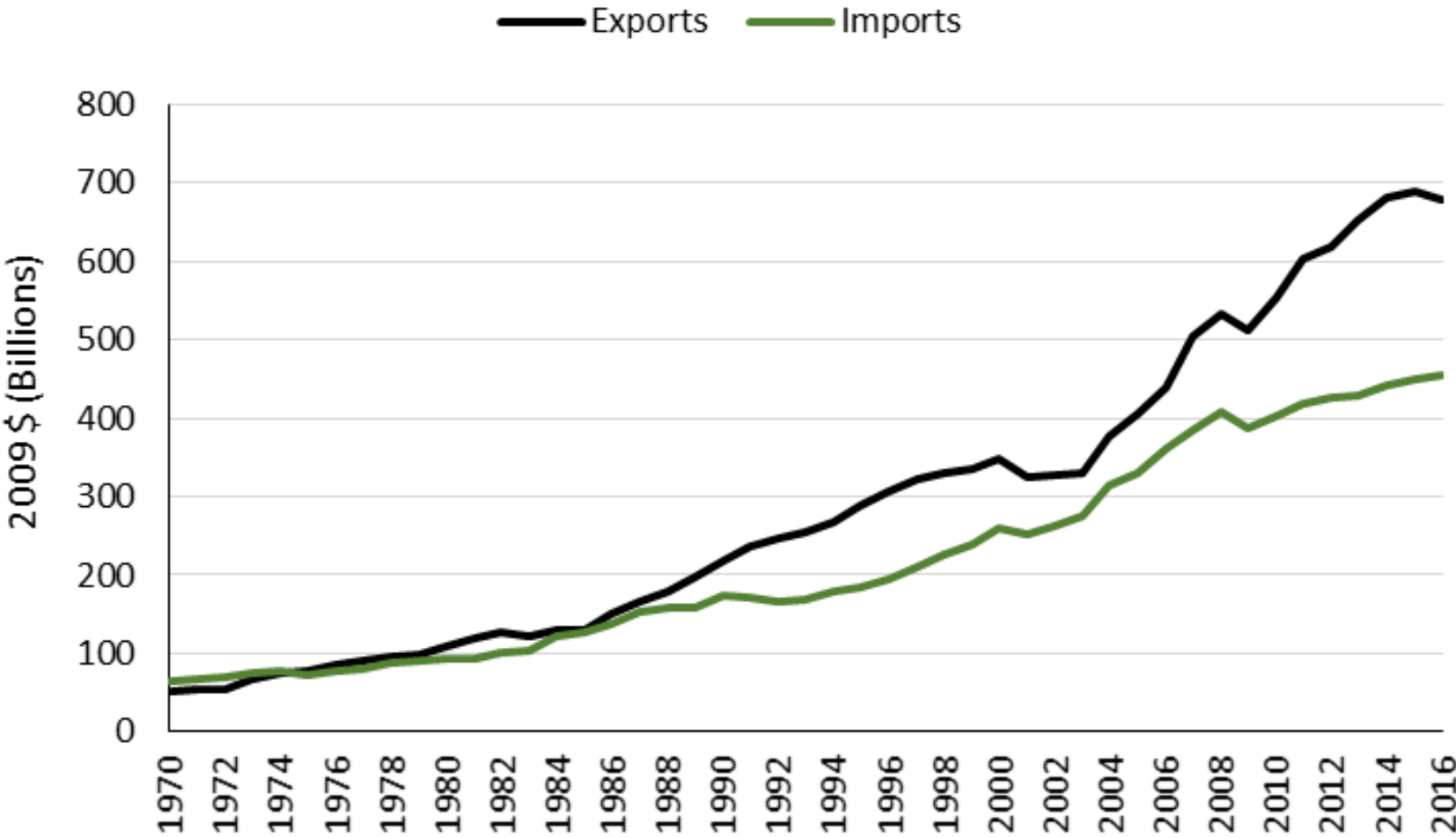
As Marvin Gaye Might Ask,
“What’s Going On?”

Total U.S. Merchandise Trade



Source: International Monetary Fund

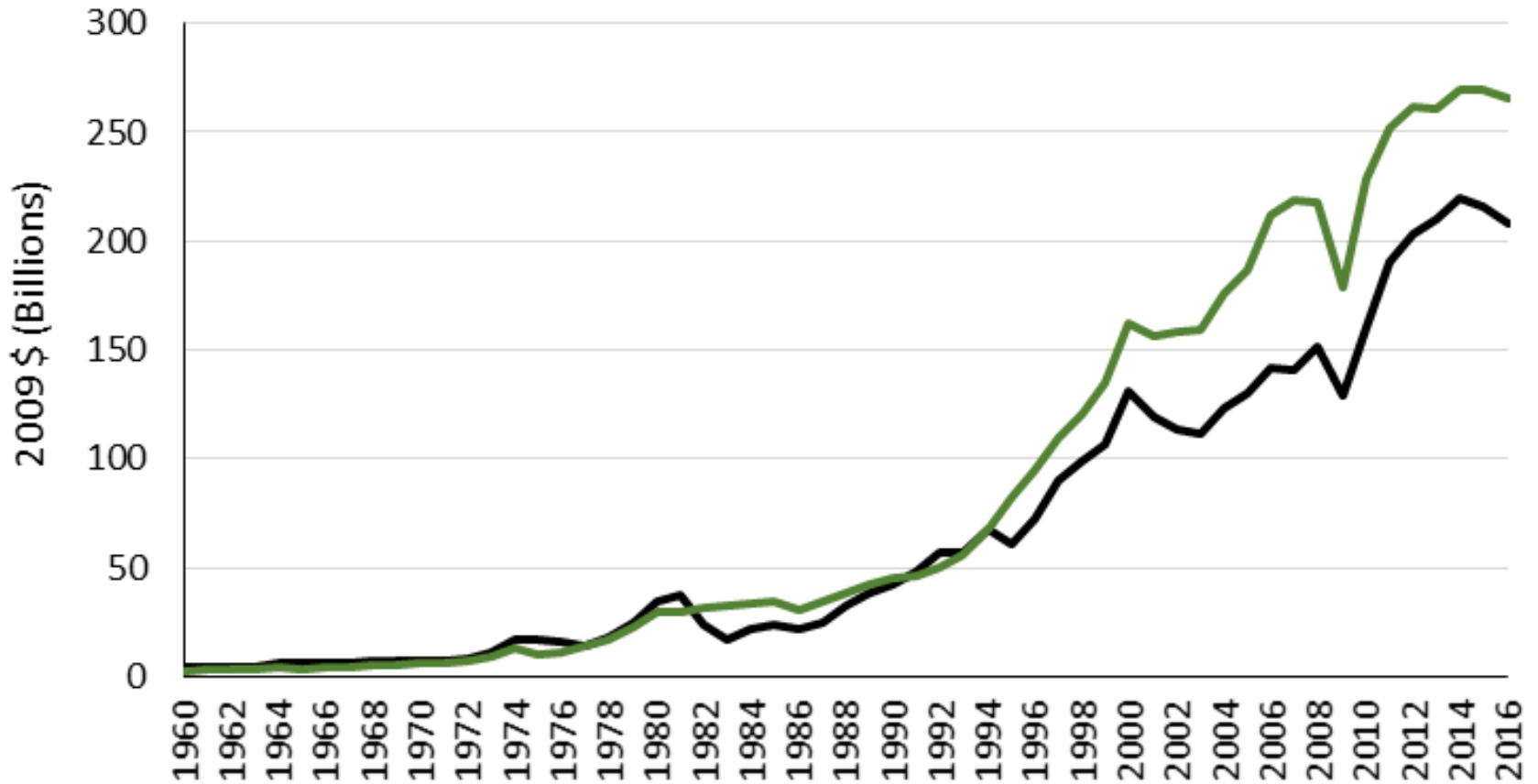
Total U.S. Trade in Services



Source: International Monetary Fund

U.S. Merchandise Trade with Mexico

— US Exports to Mexico — US Imports from Mexico



Source: International Monetary Fund



Would Protectionism Erase the Balance of Payments Deficit?

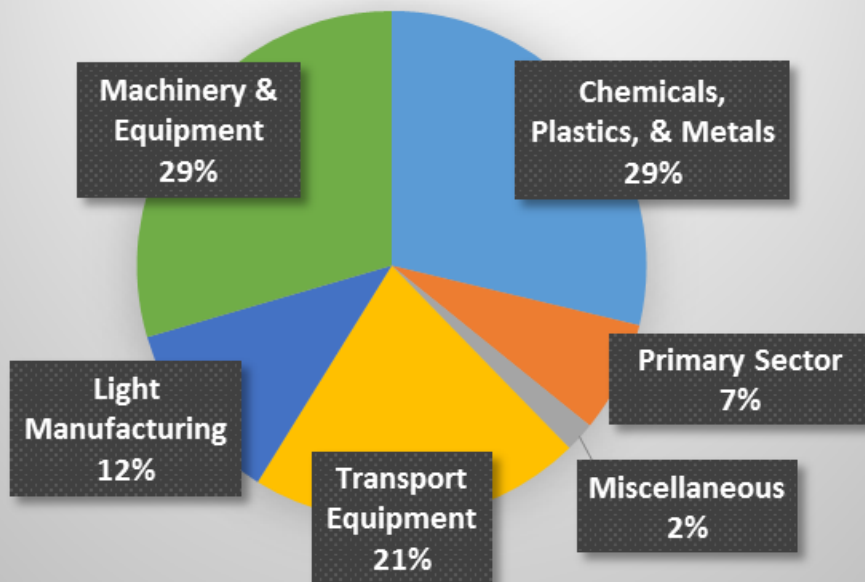
Minneapolis Federal Reserve:
Not while we run a “Twin”
Federal Budget Deficit



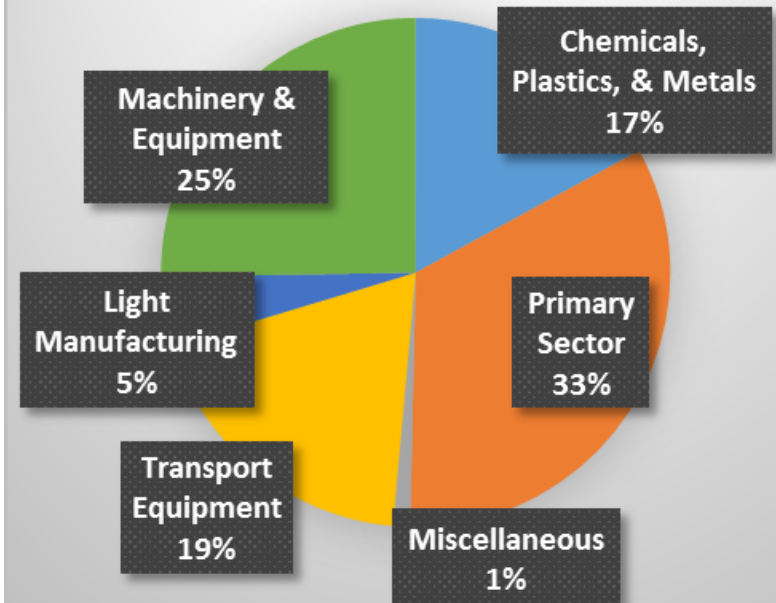
USA & Mexico

Economic Adversaries or
Complementary Allies?

U.S. Exports of Intermediate Goods to Mexico (1990)

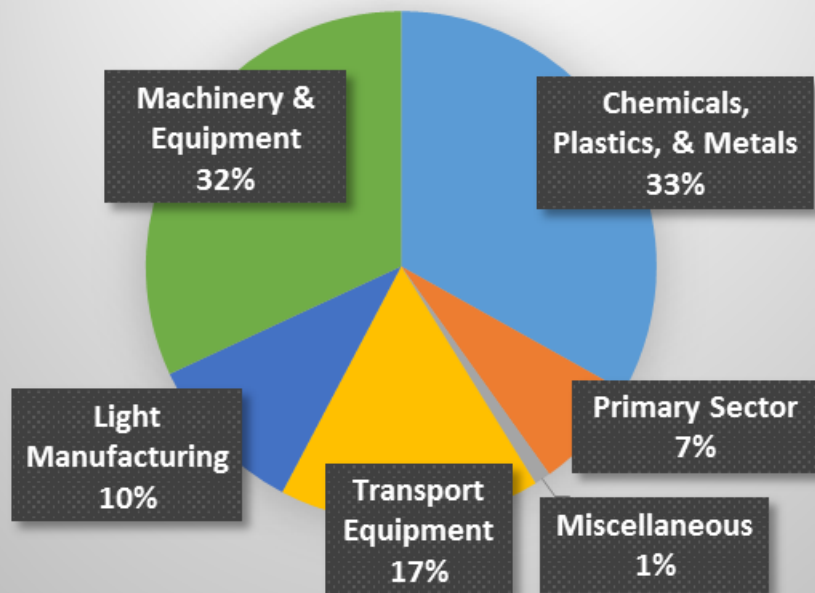


U.S. Imports of Intermediate Goods from Mexico (1990)

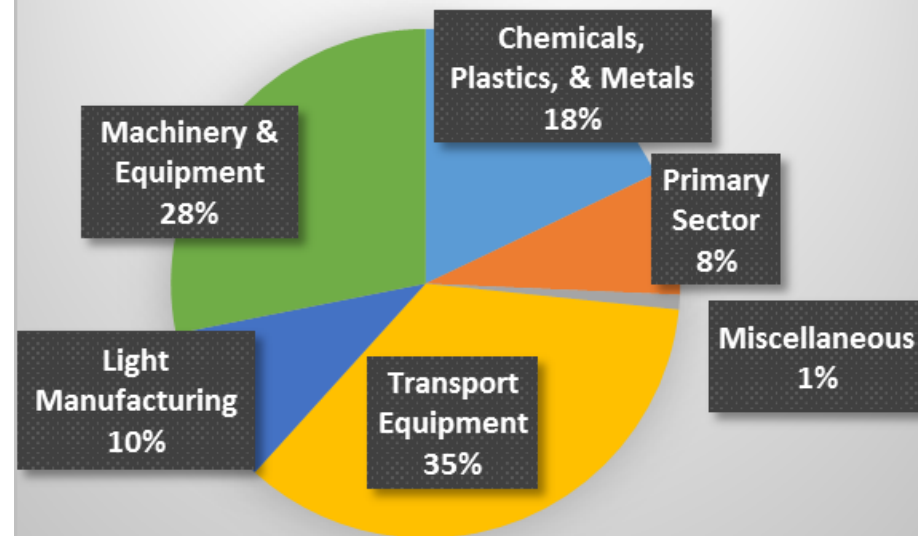


Source: OECD & UTEP Border Region Modeling Project

U.S. Exports of Intermediate Goods to Mexico (2016)



U.S. Imports of Intermediate Goods from Mexico (2016)



Source: OECD & UTEP Border Region Modeling Project



Economic Reality

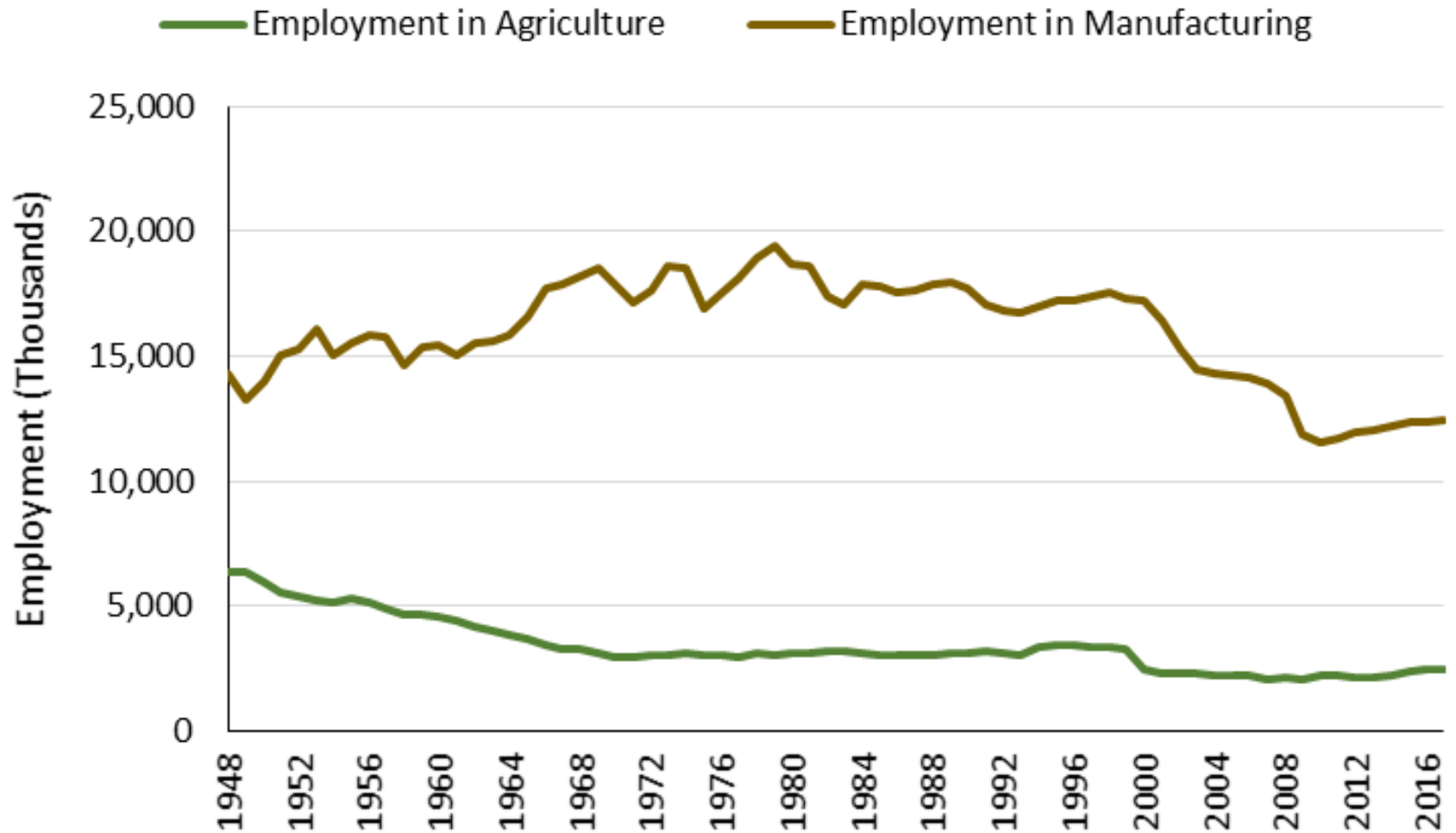
- Most USA:Mexico Trade is in Intermediate Goods => Intra-Industry Trade
- USA & Mexico Manufacture Together
- Strategic Specialization & Logistics



What about Sectors Suffering due to Trade with Mexico?

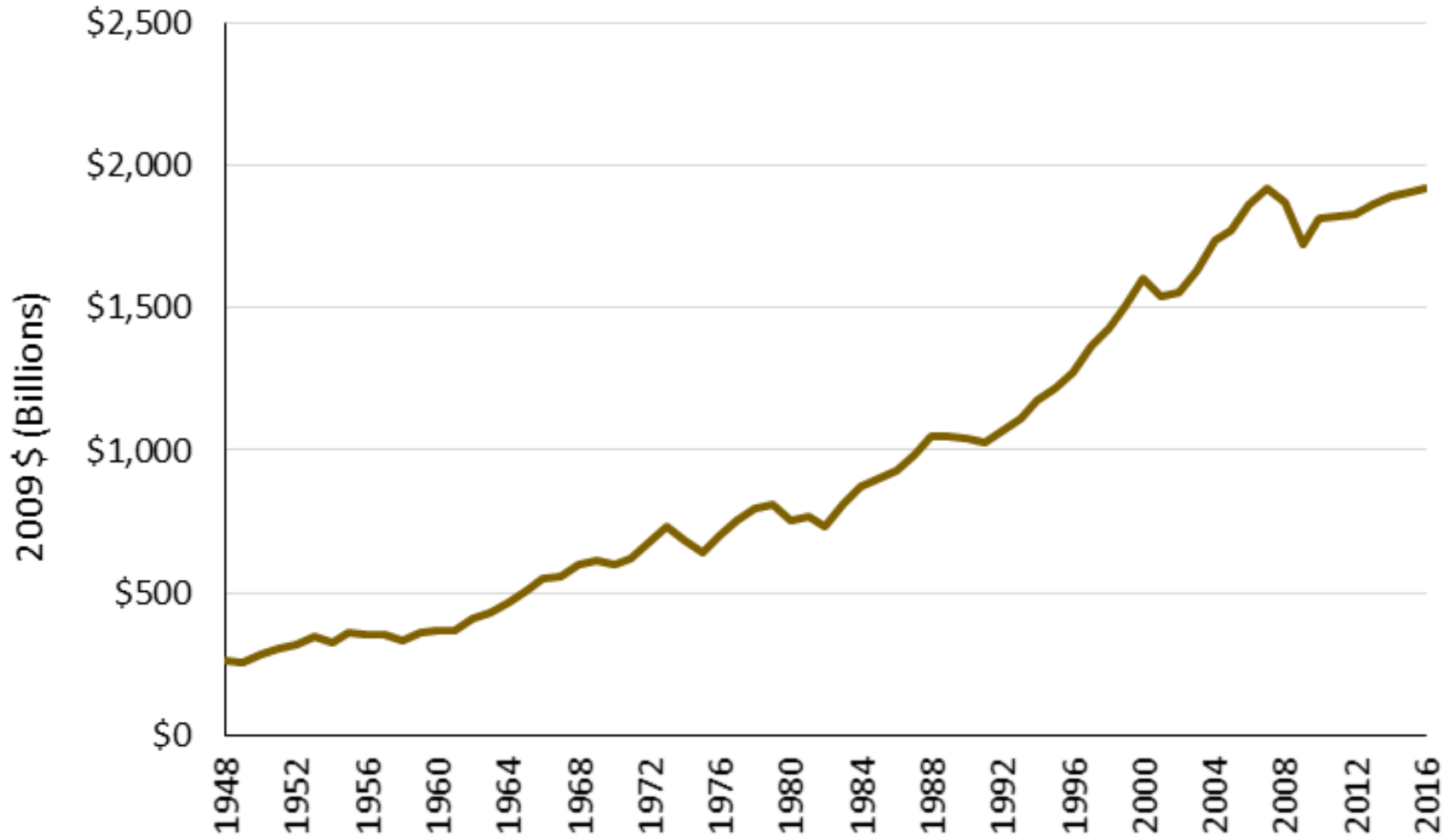
**AGRICULTURE &
MANUFACTURING**

Agriculture and Manufacturing Employment



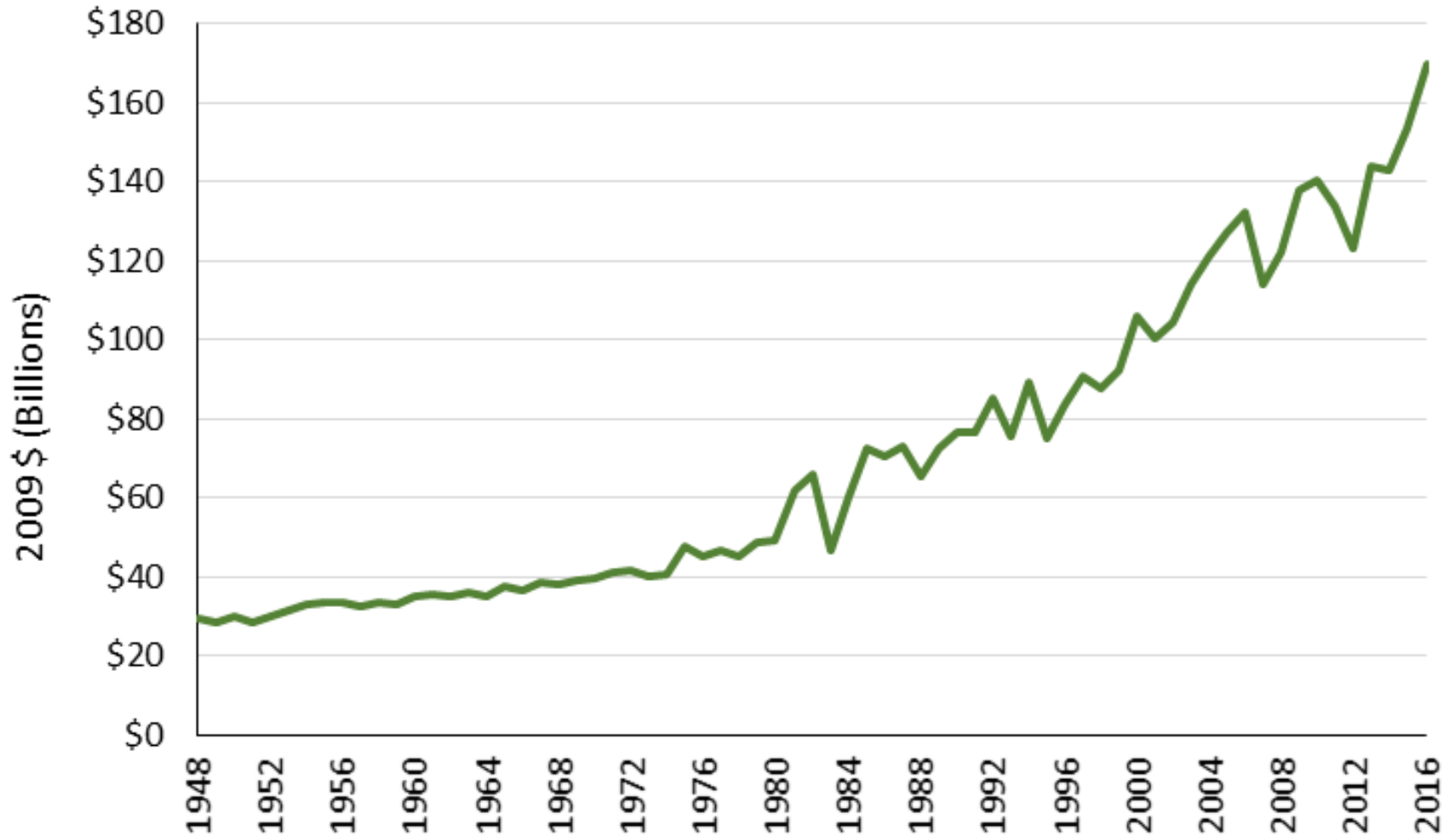
Source: Bureau of Labor Statistics & UTEP Border Region Modeling Project
Data on U.S. employment in agriculture are from the Current Population Survey and data on U.S. employment in manufacturing are from Current Employment Statistics.

Real Value Added in the Manufacturing Sector



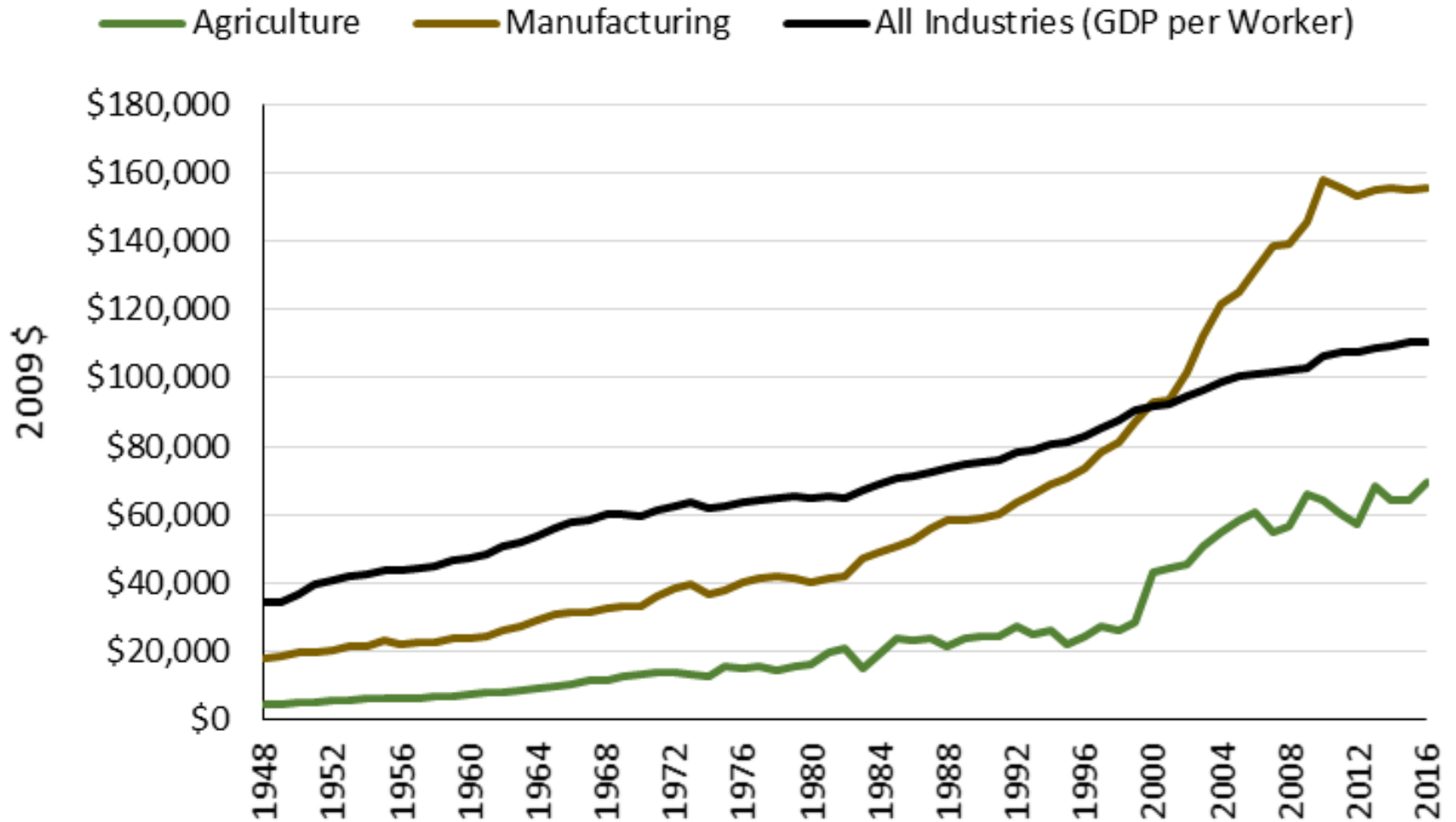
Source: Bureau of Economic Analysis & UTEP Border Region Modeling Project

Real Value Added in Agriculture



Source: Bureau of Economic Analysis & UTEP Border Region Modeling Project

Value Added per Worker



Sources: UTEP Border Region Modeling Project using BEA data (value added and GDP) and BLS data (agricultural and total civilian employment from the Current Population Survey with manufacturing employment from Current Employment Statistics).



Job Losses?

There are Many More Job Losses due to Technology than due to Trade!



Who Gains Most from Trade?

Low Income Consumers benefit
most from Trade due to
Increased Purchasing Power!



Beyond that, the USA Gains From:

Trade

Technology

Immigration



NAFTA Modernization Areas

- Allow More Energy Trade & Investment
- Stronger Labor and Environmental Standards Enforcement
- Greater Digital Commerce Flows
- Services Trade Liberalization for Health Care, Telecommunications, Broadcasting, Education, and Transportation



Displaced Worker Assistance

- Universal Basic Income and Other Policies
- Universal Wage Insurance
- Lifetime Worker Training and Re-training
- Job Loss ESOP Programs
- Greater Health Insurance Coverage
- Removal of Criminal Background Checks
- More Streamlined & Fewer Licensing Rqmts



Displaced Worker Assistance

- Uniform Worker Certification Programs
- Removal of Home Ownership Tax Bias
(Renters are More Mobile)

Trade and Technology Improve Living Standards, but Benefits are Uneven