12 Years of NAFTA & Mexico Trade is Far Different than Champions Promised

March 9, 2006
By Charles W. McMillion, Ph.D.
President & Chief Economist
MBG Information Services

Okay, Nafta is so 1990s. But some of the highlights from my latest analysis of Mexico trade since Nafta may be of interest. These are shown in the attached tables and graphics.

Those who championed Nafta – and who still champion this model of foreign commercial agreements – judged that it would lead to US job growth by extending US trade surpluses with Mexico totaling about $100 billion by 2005. Instead, the US has accumulated current account deficits of almost -$400 billion with Mexico since Nafta. The worst losses have come in highly productive, capital-intensive US heavy industries like autos, electrical and non-electrical equipment as well as in furniture, textiles and apparel.

The US industries that have seen some small improvements in their trade balances with Mexico include commodity groupings of plastic packing materials, organic chemicals, cereal, cotton, meat and paper packing material. Even where US commodity industry balances have improved it is not clear if this indicates increased US production or just that their manufacturing customer has moved from the US to Mexico. In many cases sales by US producers that were previously cross-town or inter-state must now be shipped across the Mexican border for further assembly and packaging before being re-imported for sales back in the US.

Fundamental errors in the pre-Nafta analyses of Nafta's supporters have proven to be even more important at the industry level than in the (so far) near half-trillion dollar error in their overall judgment about trade flows. Of course these dramatic mistakes would be only unfortunate historical footnotes if the same prominent analysts and the same institutions did not continue to deny their mistakes and insist on more of the same deeply flawed commercial agreements that have brought us to today's immense global imbalances.

Of course, there ARE those that benefit greatly by cutting costs at any price.