

# Fast Facts about California-Mexico Trade Relations

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy  
Compliments of: Eduardo Garcia, Chair

Foreign trade is a vital component of California's \$2.4 trillion economy.<sup>1</sup> Mexico has been California's main trading partner since 1999 and is the largest market for exports of California-made goods.<sup>2</sup> In 2015, California exported \$26.8 billion in goods to Mexico.<sup>3</sup>

## Profile of Mexico

- Mexico has a population of 121.7 million people, making it the 12<sup>th</sup> most populous country in the world,<sup>4</sup> while California's population is one-third the size of Mexico with 39.1 million people.<sup>5</sup>
- Mexico is the 14<sup>th</sup> largest country in the world, with 1.96 million square miles of geographic area; slightly less than three times the size of Texas.<sup>6</sup>
- In the 31 states that make up Mexico, forty cities have populations over 500,000 including Mexico City (21 million).<sup>7</sup>
- With rapid urbanization, three-quarters of the population in Mexico live in urban areas.
- The government of Mexico is a federal republic with a president elected by popular vote for a single six-year term.<sup>8</sup>
- Mexico's GDP in 2015 was \$2.22 trillion. For comparison, Mexico's GDP in 2014 was \$2.17 trillion<sup>9</sup> as compared to California's \$2.3 trillion GDP over the same period.<sup>10</sup>
- Mexico's GDP per capita is \$17,500<sup>11</sup> as compared to U.S. per capita at \$49,844 and California per capita at \$56,365.<sup>12</sup>
- GDP by sector composition: agriculture: 3.5%; industry: 34.1%; services: 62.4%.<sup>13</sup>
- GDP by consumption (who does the spending in an economy): household consumption: 67.3%; government consumption: 12.1%; investment in fixed capital: 21.2%; investment in inventories: -0.7%; exports of goods and services: 38.4%; imports of goods and services: -38.3%.<sup>14</sup>

## Mexico's Influence on California's Population

- In California, 12 million, (31.8%) of the 38 million residents are of Mexican descent.<sup>15</sup>
- California is one of the U.S. states with the highest concentrations of Spanish speakers.<sup>16</sup>
- In Southern California, between Los Angeles and the Mexican border, 40% of the population speaks Spanish.<sup>17</sup>
- If the City of Los Angeles were in Mexico, its 1.2 million<sup>18</sup> Mexican residents would make it the eighth largest city in the country (after Mexico City, Ecatepec, Tijuana, Puebla, Guadalajara, Leon, and Juarez).<sup>19</sup>

## Trade Agreements Drive Commerce

- Mexico has the largest network of free trade agreements in the world, with a total of 12 free trade agreements<sup>20</sup> involving 46 countries<sup>21</sup>, on three different continents.
- More than 90% of Mexico's trade occurs under free trade agreements.<sup>22</sup>
- Mexico's largest trade partners in 2014 are the United States (48.8%); China (16.6%); and Japan (4.4%)<sup>23</sup>
- U.S. trade with Mexico and Canada has exponentially increased since the implementation of NAFTA in 1994. U.S. exports to Mexico increased from \$41.6 billion in 1993 (the year prior to NAFTA's entry) to \$240.3 billion in 2014, an increase of 478%. Imports from Mexico increased from \$39.9 billion in 1993 to \$294.2 billion in 2014, an increase of 637%.<sup>24</sup>
- Since NAFTA came into force, Mexico's economy has increasingly become oriented toward manufacturing.<sup>25</sup>
- In 2012, Mexico joined the Trans-Pacific Partnership negotiations and also formed the Pacific Alliance which includes Mexico, Chile, Colombia, and Peru.<sup>26</sup>
- The U.S. has free trade agreements in force with 20 markets around the world, including Mexico.<sup>27</sup>
- In 2015, 47% (\$711 billion) of U.S. goods were exported to free trade agreement countries.<sup>28</sup>

Leading California Exports (In millions)			
Partner	2013	2014	2015
<b>World Total</b>	168,192	173,924	165,390
<b>Mexico</b>	23,911	24,450	26,787
<b>Canada</b>	18,885	18,335	17,263
<b>China</b>	16,259	16,068	14,387
<b>Japan</b>	12,739	12,212	11,744
<b>Hong Kong</b>	7,792	8,533	8,761

*Source: U.S. Census Bureau*

## California and World Markets

- In 2015, California exported \$165.4 billion to 229 foreign economies<sup>29</sup> and accounted for 11% of total U.S exports.<sup>30</sup>
- In 2015, California's largest export market was Mexico, purchasing \$26.8 billion (16.2%) of all the states exports in 2015. After Mexico, California's top export markets in 2015 were: Canada (\$16.9 billion); China (\$14.4 billion); Japan (\$11.7 billion); Hong Kong (\$8.7 billion); South Korea (\$8.6 billion); Taiwan (\$7.8 billion); the Netherlands (\$5.6 billion); Germany (\$5.3 billion); and United Kingdom (\$5.1 billion).<sup>31</sup>
- California's top five exports in 2015 were: Computer & Electronic Products (\$43.1 billion); Transportation Equipment

(\$17.6 billion); Machinery, Except Electrical (\$15.1 billion); Miscellaneous Manufactured Commodities (\$13.6 billion); and Chemicals (\$13.3 billion).<sup>32</sup>

- In 2015, California imported \$408 billion in products. California's top five imports in 2015 were: Vehicles, Spark-ignition Engine not exceeding 1,500 cc (\$38.9 billion); Vehicles, Spark-ignition Engine not exceeding 3,000 cc (\$16.1 billion); Crude Oil from Petroleum (\$16.1 billion); Digital Automatic Data Processing Machines (\$15.8 billion); and Machines for Voice, Images, or Data (\$14.8 billion).<sup>33</sup>
- China is the largest source of imports into California. The 2015 value of Chinese imports was \$143.4 billion. China is followed by Mexico (\$45 billion); Japan (\$38.5 billion); Canada (\$27.8 billion); and Malaysia (\$16.7 billion).<sup>34</sup>

### **Job Creation Related to Trade**

- Export-supported jobs account for an estimated 4.6% of California's total private-sector employment in 2015.<sup>35</sup>
- In 2015, California exports supported 706,969 jobs.<sup>36</sup>
- Approximately 692,240 California jobs are related to the commercial relationship with Mexico.<sup>37</sup>
- Commerce, tourism, and foreign direct investment from Mexico support more than 200,000 jobs in California (1.5% of the total number of payroll jobs in California).<sup>38</sup>

### **California Exports and Imports to Mexico**

- California exported \$26.8 billion worth of goods to Mexico in 2015, accounting for 16.2% of California's overall merchandise exports.<sup>39</sup>
- Computers and electronic products have been California's highest single export to Mexico since 2000. The top five exports to Mexico in 2015 were: Computer and Electronic Products (25.2% - \$6.7 billion); Transportation Equipment (\$2.9 billion - 11%); Machinery, except Electrical (\$2.0 billion - 7.7%); Chemicals (\$1.7 billion - 6.4%); and Electrical Equipment, Appliances and Components (\$1.6 billion - 6.2%).<sup>40</sup>
- Small and medium-sized companies generated 24.36% of California's total exports of merchandise in 2014.<sup>41</sup>
- In 2015, California imported \$45 billion worth of goods and services from Mexico. Mexican imports accounted for 11% share of total imports to California.<sup>42</sup>
- U.S. imports from Mexico contain on average, 40% U.S. content, with almost half of the labor, materials, and parts that go into an import from Mexico actually being made in the U.S.<sup>43</sup>

### **Goods Movement between California and Mexico**

- California has five major international border crossings supporting the movement of both persons and goods: San Ysidro, Otay Mesa, Tecate, Calexico, and Andrade. Of these, Andrade handles the lightest volume, while San Ysidro and Calexico accommodate the largest volume. Overall, San Ysidro is the busiest crossing in the Western Hemisphere.<sup>44</sup>
- Both U.S. and Mexican firms, with significant business passing through the Imperial Valley and San Diego ports of entry, report that their logistics-supply chain is highly time sensitive. Long wait times at border crossings result in delays in receiving intermediary goods and ultimately lead to problems in the manufacturing chain.<sup>45</sup>
- Most of the California-Mexico trade is two-way within the same commodity class, suggesting extensive production sharing. In 2015, California two-way trade with Mexico amounted to \$531.1 billion in merchandise.<sup>46</sup>
- Global supply chains have resulted in components made in California are assembled or further processed in Mexico, and shipped back to California. Top commodities for this type of two-way trade include: machinery, vehicles, instruments, and electronics and electronic equipment.<sup>47</sup>
- Border crossing delays between the U.S.-Mexico borders accounted for an estimated output loss of \$5.8 billion and a 26,000 national job loss due to reduced output in 2008. In California, losses were estimated at \$3.2 billion and a 25,000 job loss.<sup>48</sup>
- Research shows that if border delays continue to grow, economic losses will continue to increase significantly by 2017 and could cost the U.S. economy nearly 54,000 jobs and \$12 billion in output annually, with an estimated cumulative loss of \$86 billion. California's cumulative economic loss in output due to in-state border delays over the next ten years is estimated to be \$4.5 billion.<sup>49</sup>

### **Foreign Direct Investment**

- Foreign direct investment in Mexico has grown to \$7.9 billion in 2016, which has already surpassed the level seen in 2015 (\$7.5 billion).<sup>50</sup>
- In 2015, Mexico's outward foreign direct investment was \$2.9 billion, a 24.37% market share of total outward capital investment.<sup>51</sup>
- Mergers and acquisitions show that Mexican investment is primarily focused in the U.S. and other Latin American markets. In 2012, Mexican companies participated in 140 mergers and acquisitions, valued at \$41.3 billion.<sup>52</sup>
- U.S. firms made the greatest number of acquisitions of Mexican companies, acquiring 13 companies in 2012.<sup>53</sup>

- California was the leading state for outward foreign direct investment, retaining its leading position from 2012. The state recorded \$15.9 billion, a 12.5% market share of total outward capital investment from North America.<sup>54</sup>
- California remained the leading state in terms of foreign direct investment projects, attracting 230 projects in 2015, which is 2.19% higher than the second highest state, New York.<sup>55</sup>
- The city of Los Angeles is host to the largest number of Mexican-owned and –affiliated companies, with 25 total establishments in 2009, including Gigante Cemex (concrete products) and Bimbo Bakeries (baked goods).<sup>56</sup>

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