

Fast Facts about California-Mexico Trade Relations

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Compliments of: Eduardo Garcia, Chair

Foreign trade is a vital component of California's \$2.2 trillion economy.¹ Mexico has been California's main trading partner since 1999 and is the largest market for exports of California-made goods.² California is the third largest state importer of Mexican goods behind Texas and Michigan, respectively, accounting for 10.2% of all Mexican imports in 2014.³

Profile of Mexico

- Mexico has a population of 120.3 million people, making it the 12th most populous country in the world,⁴ while California's population is one-third the size of Mexico with 38.3 million people.⁵
- Mexico is the 14th largest country in the world, with 1.96 million square miles of geographic area; slightly less than three times the size of Texas.⁶
- In the 31 states that make up Mexico, eight cities have populations over 500,000 including Mexico City (20.5 million).⁷
- With rapid urbanization, three-quarters of the population in Mexico live in urban areas.
- Mexico's GDP in 2013 was \$1.2 trillion,⁸ as compared to California's \$2.2 trillion GDP over the same period.⁹
- The government of Mexico is a federal republic with a president elected by popular vote for a single six-year term.¹⁰

Mexico's Influence on California's Population

- In California, 12 million, (32%) of the 38 million residents are of Mexican descent.¹¹
- California is one of the U.S. states with the highest concentrations of Spanish speakers.¹²
- In Southern California, between Los Angeles and the Mexican border, 40% of the population speaks Spanish.¹³
- If the City of Los Angeles were in Mexico, its five million Mexican residents would make it the fourth largest city in the country (after Mexico City, Guadalajara and Monterey).¹⁴

Trade Agreements Drive Commerce

- Mexico has the largest network of free trade agreements in the world, with a total of 12 free trade agreements involving 44 countries, on three different continents.¹⁵
- More than 90% of Mexico's trade occurs under free trade agreements.¹⁶
- U.S. trade with Mexico and Canada has more than tripled since the implementation of NAFTA in 1994. U.S. exports to Mexico increased from \$54.8 billion in 1994 to \$226.2 billion in 2013. Imports from Mexico increased from \$51.6 billion in 1994 to \$280.5 billion in 2013.¹⁷
- Since NAFTA came into force, Mexico's economy has increasingly become oriented toward manufacturing.¹⁸
- The U.S. has free trade agreements in force with 20 markets around the world, including Mexico.¹⁹
- In 2014, 47% (\$765.2 billion) of U.S. goods were exported to free trade agreement countries.²⁰

California and World Markets

- In 2014, California exported \$174.1 billion to 229 foreign economies²¹ and accounted for 10.7% of total U.S. exports.²²
- In 2014, California's largest export market was Mexico, purchasing \$25.4 billion (14.6%) of all the states exports in 2013. After Mexico, California's top export markets in 2014 were: Canada (\$18.3 billion); China (\$16.1 billion); Japan (\$12.3 billion); South Korea (\$8.6 billion); Hong Kong (\$8.5 billion); Taiwan (\$7.5 billion); Germany (\$5.4 billion); the Netherlands (\$5.4 billion); and India (\$5.3 billion).²³
- California's top five exports in 2014 were: Computer & Electronic Products (\$42.7 billion); Transportation Equipment (\$18.7 billion); Machinery, Except Electrical (\$14.9 billion); Miscellaneous Manufactured Commodities (\$14.6 billion); and Chemicals (\$14.0 billion).²⁴
- In 2013, California imported \$403 billion in products.²⁵ California's top five imports in 2013 were: Vehicles, Spark Ignition (\$34.0 billion); Crude Oil from Petroleum (\$29.2 billion); Automatic Data Process Machines (\$17.0 billion); Motor Cars for Transportation (\$15.8 billion); and Machines for Voice, Images, or Data (\$12.6 billion).²⁶
- China is the largest source of imports into California. The 2014 value of Chinese imports was \$137.7 billion. China is followed by Mexico (\$41.3 billion); Japan (\$38.3 billion); Canada (\$27.9 billion); and South Korea (\$15.0 billion).²⁷

Leading California Exports (In millions)			
Partner	2012	2013	2014
World Total	161,880	168,128	174,128
Mexico	26,370	23,933	25,419
Canada	17,424	18,819	18,249
China	13,970	16,359	16,060
Japan	13,033	12,711	12,263
South Korea	8,246	8,394	8,580

Source: U.S. Department of Commerce

Civil Job Creation Related to Trade

- Export-supported jobs account for an estimated 4.9% of California's total private-sector employment in 2011.²⁸
- Nearly one quarter (25.2%) of all California manufacturing workers are dependent on exports for their employment.²⁹
- Approximately 177,000 California jobs (17% of all export-supported jobs in California) are related to the commercial relationship with Mexico.³⁰
- 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).³¹

California Exports and Imports to Mexico

- California exported \$25.4 billion worth of goods to Mexico in 2014, accounting for 14.6% of California's overall merchandise exports.³²
- Computers and electronic products have been California's highest single export to Mexico since 2000. The top five exports to Mexico were: Computer and Electronic Products (\$5.3 billion); Transportation Equipment (\$2.6 billion); Machinery, except Electrical (\$2.2 billion); Chemicals (\$1.7 billion); and Food Manufactures (\$1.7 billion).³³
- Small and medium-sized companies generated 44.6% of California's total exports of merchandise in 2012.³⁴
- In 2013, California imported \$41.3 billion worth of goods and services from Mexico. Mexican imports accounted for 10.2% share of total imports to California.³⁵
- 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.³⁶

Goods Movement between California and Mexico

- California has four major international border crossings supporting the movement of both persons and goods: San Ysidro, Otay Mesa, Tecate, and Calexico. Of these, San Ysidro handles the lightest volume, while Otay Mesa and Calexico accommodate the largest volume. Overall, Otay Mesa is the busiest crossing, ranking 6th in the nation.³⁷
- 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.³⁸
- Most of the California-Mexico trade is two-way within the same commodity class, suggesting extensive production sharing. In 2013, California two-way trade with Mexico amounted to \$506.6 billion in merchandise.³⁹
- 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 trade include: machinery, vehicles, instruments, and electronics and electronic equipment.⁴⁰
- Border crossing delays between the U.S.-Mexico borders accounted for an estimated output loss of \$3.9 billion and a 30,000 national job loss due to reduced output in 2008. In California, losses were estimated at \$3.2 billion and a 25,000 job loss.⁴¹
- 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.⁴²

Foreign Direct Investment

- Foreign direct investment in Mexico grew to a record \$35.2 billion in 2013, which is more than double the level seen in 2012 (\$12.6 billion).⁴³
- In 2013, Mexico's outward foreign direct investment was \$4.2 billion, a 24.47% market share of total outward capital investment.⁴⁴
- 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.⁴⁵
- U.S. firms made the greatest number of acquisitions of Mexican companies, acquiring 13 companies in 2012.⁴⁶
- California was the leading state for outward foreign direct investment, retaining its leading position from 2012. The state recorded \$22.6 billion, a 17.7% market share of total outward capital investment from North America.⁴⁷
- California remained the leading state in terms of foreign direct investment projects, attracting 206 projects in 2013, which is 24.76% higher than the second highest state, New York.⁴⁸
- The city of Los Angeles is host to the largest number of Mexican-owned and -affiliated companies, with 25 total establishments in 2008, including Gigante Cemex (concrete products) and Bimbo Bakeries (baked goods).⁴⁹

- ¹ Bureau of Economic Analysis, Gross State Product, <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=1#reqid=70&step=7&isuri=1&7003=200&7004=naics&7005=1&7006=06000&7001=1200&7002=1&7090=70&7093=levels> -accessed June 5, 2014
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- ^{3b} United States Census Bureau: State Imports for Michigan <http://www.census.gov/foreign-trade/statistics/state/data/imports/mi.html> -accessed March 16, 2015
- ^{3c} United States Census Bureau: State Imports for California <http://www.census.gov/foreign-trade/statistics/state/data/imports/ca.html> -accessed March 16, 2015
- ⁴ CIA World Fact Book <https://www.cia.gov/library/publications/the-world-factbook/geos/mx.html> -accessed March 16, 2015
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- ⁶ CIA World Fact Book <https://www.cia.gov/library/publications/the-world-factbook/geos/mx.html> -accessed June 09, 2014
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- ⁸ Trading Economics: Mexico GDP <http://www.tradingeconomics.com/mexico/gdp> -accessed July 22, 2014
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