

Which States Will Be Hurt by Scrapping NAFTA?

Trump supporters firmly believe that getting rid of or at least renegotiating NAFTA will result in more jobs in the USA. Is that true? Who gets helped and who gets hurt if trade with Mexico diminishes? Texas Public Radio says that **Trump's call to renegotiate or kill NAFTA** will hurt Texas.

A new pickup truck comes off the line nearly once a minute at Toyota's San Antonio factory.

The Japanese automaker set up in Texas more than a decade ago to be closer to truck-buyers-and to take advantage of cross-border trade.

"The fact that it's close to the NAFTA corridor," says Toyota Motor Manufacturing Texas spokesman Mario Lozoya "I'm not saying that's the only reason why it's here, but it's a factor."

The North American Free Trade Agreement was signed in San Antonio 25 years ago, creating the largest free trade zone in the world linking Canada, the U.S. and Mexico. President-Elect Donald Trump has promised to renegotiate or scrap NAFTA, in an effort to bring back U.S. jobs. But the controversial trade agreement has increased economic activity in Texas.

The Toyota plant is part of a global supply chain that includes parts made in Mexico.

The Federal Reserve Bank of Dallas says Texas exports to Mexico and Canada grew by 13 percent per year since NAFTA started.

The fact of the matter is that many rust belt jobs did not go to Mexico or China but went to southern states like Texas.

Statistical vs Economic Territory

The *UN Trade Statistics* page on **economic territory and statistical territory** is informative.

The statistical territory of a country or area is "the territory with respect to which data are being collected" [1], that is, goods which enter or leave the statistical territory are to be recorded in the external trade statistics.

The economic territory of a country consists "of the geographic territory administered by a government within which persons, goods and capital circulate freely"

This mouthful means that statistically the USA is the territory that you see on a map. But in the case of the USA and Mexico there is an economic area referred to as Tex-Mex. This area includes Northern Mexico and the South Western USA from Texas to California. A substantial amount of cross border trade occurs in this area and will be adversely affected by scrapping NAFTA.

Mexico First

There may be more than economic problems for Border States if relations continue to sour between the USA and Mexico. CNN reports that a Mexican delegation is bringing a **Mexico First** message to Washington.

"We say Mexico first," a senior Mexican diplomat told CNN on the eve of the two-day visit. "If they want to re-visit the relationship, then we say, yes. Let's see what they want, what they bring to the table and how it can better benefit us."

Another Mexican diplomat said, "We are coming to defend 25 years of unprecedented levels of cooperation. There is a lot of anger that we have become this punching bag and because of the lack of context in portraying Mexicans through one negative lens."

The USA and especially Border States benefit from Mexican help in deporting Central American immigrants before they even reach the US-Mexican border. The governments work on fighting drug cartels. If Mexico does not see it in their interest to cooperate with the USA the damage to US Border States will be more than the 5 million jobs that will be lost if TEX-MEX cross border trade dries up.

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