Introduction to the International Trade

International trade allows countries to expand their markets and access goods and services that otherwise may not have been available domestically. As a result of international trade, the market is more competitive. This ultimately results in more competitive pricing and brings a cheaper product home to the consumer.

Mexico is the 15th-largest economy in the world and has generally enjoyed low, but stable economic growth since the 1990s. Despite the COVID 19-linked contraction in 2020, Mexico's economy is expected to rebound in 2021 and achieve moderate growth driven by external demand.

Given Mexico's large, diversified market, most U.S. products and services have ample opportunities. The new United States–Mexico–Canada Agreement (USMCA), which replaced the North American Free Trade Agreement (NAFTA) on July 1, 2020, provides additional trade-related benefits for U.S. companies.

Close cultural, social, and economic ties make Mexico a natural market to consider for first-time exporters and those firms looking for new export markets.

Mexico is the largest Spanish-speaking country in the world. Its USD 1.1 trillion economy is the second largest in Latin America and the country maintains deep trade and investment ties with the United States. Mexico remains an upper–middle-income member of the G-20 and OECD with a per capita GDP of USD 8,346. Still, Mexico's 2.0 percent average annual GDP growth rate since the signing of NAFTA in 1993 has been slower than most emerging markets, due in part to its high rates of labor informality (55 percent), poverty (42 percent), and declining oil production. Additionally, the country's economy was hit hard by the COVID-19 pandemic, lockdowns, and the accompanying economic contractions elsewhere around the world. According to the International Monetary Fund (IMF), Mexico's real GDP growth rate for 2020 was -8.5%, with IMF forecasts estimating a return to 5% GDP growth in 2021, so long as the public health situation continues to improve.

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Two-way trade in goods and services between the United States and Mexico totaled USD 582.4 billion in 2020, positioning Mexico as the third-largest overall U.S. trading partner. During this period U.S. exports to Mexico totaled USD 235 billion and imports totaled USD 347.4 billion. Even though this large volume of trade continues to directly and indirectly support millions of U.S. jobs, U.S. exports to Mexico in 2020 did fall 18.8 percent from 2019, while U.S. imports from Mexico declined by 11.6 percent. The U.S. goods and services trade deficit with Mexico in 2020 was USD 112.4 billion. Mexico is the first, second, or third largest destination for merchandise exports from 29 U.S. states. Top U.S. goods exports include electronics, vehicles, fuels, minerals, plastics, and machinery. Mexico was the third-largest destinations for U.S. agricultural exports in 2020, importing USD 18.3 billion in U.S. agricultural products, including corn, soybeans, dairy, pork, and poultry meat.

Mexico is highly dependent on foreign trade, which represented 78% of its GDP in 2020 (World Bank, latest available data). The country mainly exports cars (11.1%), computers (6.7%), vehicle parts (6.5%), delivery trucks (5.5%), and crude petroleum (5.5%).

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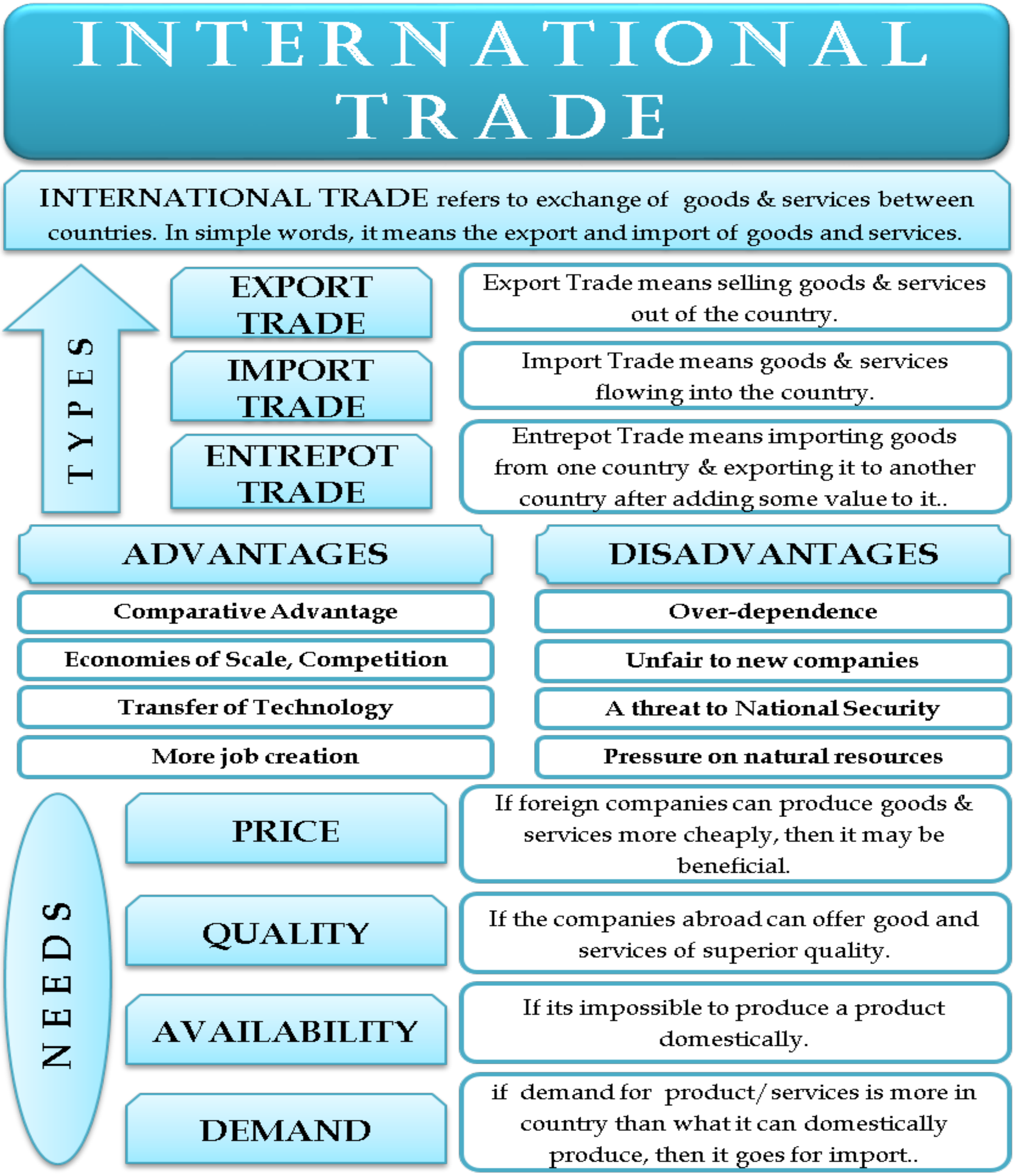
In summary:



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