

Multiregional Input-Output Analysis of NAFTA

Topic: (1.3) MRIO Modelling

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Multi Regional Input-Output (MRIO) analysis has produced some multiregional input-output matrices regarding relatively integrated areas like the European Union or some sub-regions within it. In this case, using the same methodology we will be analyzing the North American Free Trade Agreement (NAFTA) based on one of the two trilateral matrices, one produced by the World Input-Output Database (WIOD) and the other by the Mexican National Institute for Statistics and Geography (INEGI), each with a different aggregative level.

NAFTA entered into operation in 1994 and, so far there has not been a Regional Input-Output analysis with respect to its results for its three signing parties, Mexico, the US, and Canada. When signing the agreement in 1992, the expected results were announced as the expansion of trade, output and jobs for the three countries, that is a so called, win-win agreement.

This treaty has become worldwide popular since recently elected president Donald Trump proposed in his campaign to modify the treaty for the benefit of the US, claiming that his country was losing jobs due to NAFTA.

Our purpose in this work is to analyze what has happened on these three variables, trade, output and jobs in the three signing countries in these 23 years of NAFTA operation, specifically due to the agreement. It is also the objective of the study to differentiate what sectors in each country have benefited more in each country and in what sense, since we know that the benefits have not been distributed equally in either country. That might help us to evaluate the efficiency of this treaty based on hard data as a trade policy for each of the participants. In addition, there is the possibility of analyzing the impacts of NAFTA on the border states of Mexico and the US.