

NAFTA EFFECTS ON CANADA, MEXICO AND THE UNITED STATES: A MULTIREGIONAL INPUT-OUTPUT ANALYSIS II

Topic: Classical IO applications: Trade and GVCs

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Abstract

The North American Free Trade Agreement NAFTA has been changed into USMCA after 23 years of duration and one year of renegotiation. The main reason for modifying the agreement was put forward by the US president Trump's administration as its being unfair to the US, because of US companies established plants to produce and export in Mexico, generating for Mexico a trade surplus which translates into a US trade deficit, the third largest in US trade statistics. This has been said to damage also the domestic level of employment in US manufacturing sectors. However, a precise measure of this supposed "damage" to US labor caused by Mexican exports is still missing, nor is it clear how many and what sectors have been damaged.

On the other hand, some developments in Multi-Regional Input-Output Analysis (MRIO) allowed some experts to produce a study for the European Community, published in 2015. We intend here to do a similar study for NAFTA.

Our study is aimed to answering two basic questions: (1) which were the results positive or negative, of the operation of NAFTA for each of the three economies involved ? (2) what sectors in each economy were most benefited or damaged by NAFTA in each of the three economies? Thus, the objective of this particular study is to build and use a Multiregional Input-Output model for the North American region: Canada, Mexico and the US, to determine the effects of NAFTA for trade, income, output and labor in each of the three economies.