

## **Mexican manufacturing and its integration into global value chains**

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This paper studies the value added contributions to final manufacturing output produced in Mexico. It distinguishes between contributions originating from foreign producers located in different major regions of the world economy and contributions made by domestic producers. The analysis is performed for the main two components of Mexican manufacturing: assembly plants producing for export markets (Maquiladora industry) and manufacturing firms mainly producing for the domestic market (Domestic Manufacturing). To this end, Mexico (Maquiladora) and Mexico (Domestic Manufacturing) are separately included into World Input-output Tables (WIOT) from 1998 to 2011. The empirical analysis shows that the structure of value added contributions with regard to the final output of the Mexican domestic sector has remained unaltered, while the structure of value added contributions to the final output of the Maquiladora sector has drastically changed over time.

For its own final output, Mexico (Domestic) has the largest share of value added contributions with some increase in the value added contributions of producers in foreign countries (notably, the USA). With regard to the final output of Mexico (Maquiladora) there was a shift from a dominance of US value added in all the manufacturing sectors (70% in 1998) to a much more diversified structure of value added contributions. By 2011, the East Asian share in value added was the largest in the Electrical and Optical equipment sector. Mexico (Domestic Manufacturing) and Mexico (Maquiladora) had the largest value added contributions in the Transport Equipment sector, while the US continued to account for the lion's share of value added in the textile industry.

In our view, those changes in the structure of value added contributions have to do with decisions by US firms to reallocate production to low-cost countries in Asia. They reflect changing patterns of the integration of Mexico in global value chains.