

May 2013

LOST IN THE SHADOW OF THE FENCE: The Important Economic Relationship of Mexico and the United States

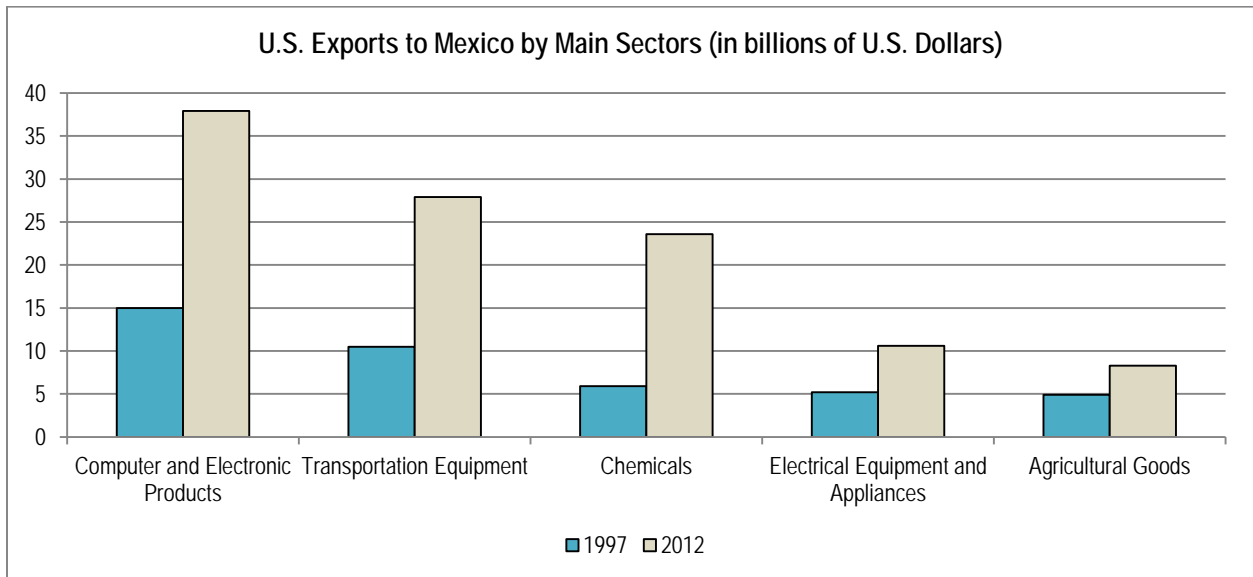
Mexico is the United States' third largest trading partner, after Canada and China, in terms of total trade in goods, while the U.S. is Mexico's largest trading partner.¹ As such, the economic ties of the U.S. and Mexico are significantly important to the economy and society in both countries. Further, the U.S.-Mexico border is not a static line drawn on a map, but a dynamic and ever-evolving place along which substantial daily interaction takes place. Yet the resounding refrain we repeatedly hear from some members of Congress is that building a 1,969-mile fence to separate us from one of our largest economic partners, and the eleventh largest economy in the world,² is a key component to solving the issues presented by an outdated immigration system and a requirement that must be completed before moving forward with proposed immigration reforms. To be clear, there is a need for secure borders, but there is also a need for further streamlining and efficiently facilitating the daily cross-border flows of people, goods, and services important to the bi-national economic relationship of the United States and Mexico – an economic relationship the following facts highlight.

The United States and Mexico have an enormous trading partnership

- In calendar year 2011, the United States had a total trade in goods of \$460.6 billion.³ And in 2012, the total amount of goods traded was even larger at \$494 billion.⁴ Only trade with Canada and China were greater.
- Combined, total trade in goods and services between Mexico and the United States totaled more than \$500 billion in 2011.⁵ And in 2012, that number was up to \$535.9 billion. As such, six million American jobs depend upon the U.S. trade relationship with Mexico.⁶
- In 2012, Mexico was the United States' second largest goods export market, with \$216.3 billion in goods exported to Mexico that year. 2012 saw a 9.1 percent increase in goods exports from the U.S. to Mexico from 2011, and an increase of 121.9 percent from 2002.⁷ The major categories of goods the U.S. exported to Mexico in 2012 include machinery, electrical machinery, mineral fuel and oil, vehicles, and plastic,⁸ and major industry sectors include computer and electronic products, transportation equipment, chemicals, electrical equipment and appliances, and agricultural goods.



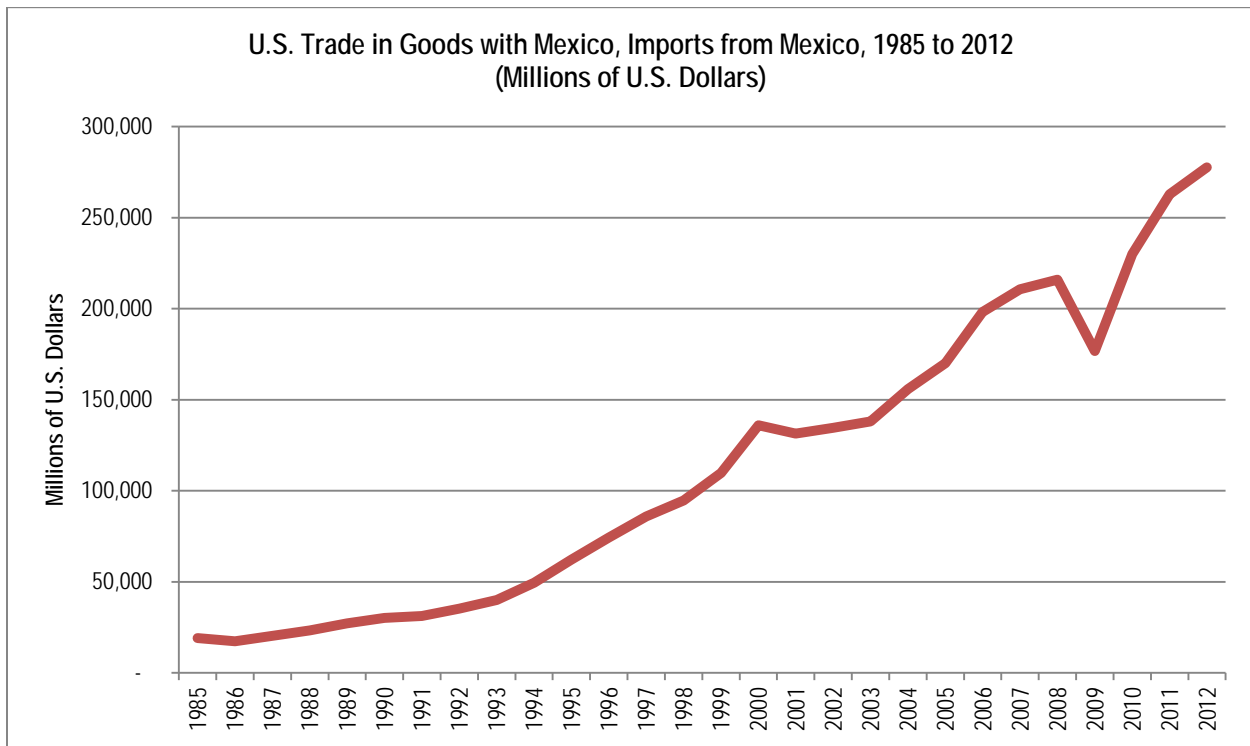
Source: U.S. Bureau of the Census, Foreign Trade Division.



Source: U.S. Department of Commerce, International Trade Administration

- Mexico was the United States' third largest recipient of agricultural product exports in 2012, totaling \$18.9 billion.⁹ Major agricultural product categories the U.S. shipped to Mexico in 2012 include coarse grains, red meats, soybeans, dairy products, and wheat.¹⁰
- In 2012, in terms of imports, Mexico was the United States third largest supplier of goods, with the U.S. receiving \$277.7 billion worth of goods from Mexico.¹¹ This amount represents an increase of 5.6 percent from 2011, and an increase of 106.3 percent from 2002. In 2012,

U.S. imports from Mexico represented 12.2 percent of overall U.S. imports.¹² The five largest import categories in 2012 include electrical machinery, vehicles, machinery, mineral fuel and oil, and optic and medical instruments.¹³



Source: U.S. Bureau of the Census, Foreign Trade Division.

- In 2012, Mexico supplied \$16.4 billion in agricultural products to the United States, representing the second largest supplier of such goods.¹⁴ Major agricultural categories of agricultural goods the U.S. imported from Mexico include fresh fruit and vegetables, wine and beer, and snack foods.
- Many U.S. states are in a trading relationship with Mexico as their number one or number two export market.¹⁵ Consider data from 2012 presented in the following table.

Top U.S. States Trading with Mexico, 2012 (in millions of U.S. dollars)

State	Rank of Mexico as Export Market #	Exports Value	Imports Value	Total Trade
Texas	1	\$94,800	\$99,853	\$194,653
California	1	\$26,320	\$36,039	\$62,359
Michigan	2	\$10,459	\$38,140	\$48,599
Louisiana	2	\$6,518	\$5,131	\$11,649
Illinois	2	\$6,367	\$9,133	\$15,500
Arizona	1	\$6,269	\$6,748	\$13,017
Ohio	2	\$4,708	\$6,660	\$11,368

Tennessee	2	\$4,232	\$4,963	\$9,195
Indiana	2	\$3,906	\$3,566	\$7,472
Iowa	2	\$2,498	\$1,430	\$3,928
Wisconsin	2	2,165	\$3,005	\$5,170
New Jersey	2	\$2,108	\$2,757	\$4,865
Missouri	2	\$1,818	\$2,626	\$4,444
Nebraska	2	\$1,812	\$182	\$1,994
Kentucky	2	\$1,716	\$3,197	\$4,913
Kansas	2	\$1,459	\$1,008	\$2,467
Colorado	2	\$848	\$1,087	\$1,935
Arkansas	2	\$845	\$778	\$1,623
Oklahoma	2	\$620	\$885	\$1,505
New Mexico	2	\$618	\$496	\$1,114
New Hampshire	2	\$474	\$562	\$1,036
South Dakota	2	\$345	\$58	\$403
North Dakota	2	\$282	\$144	\$426

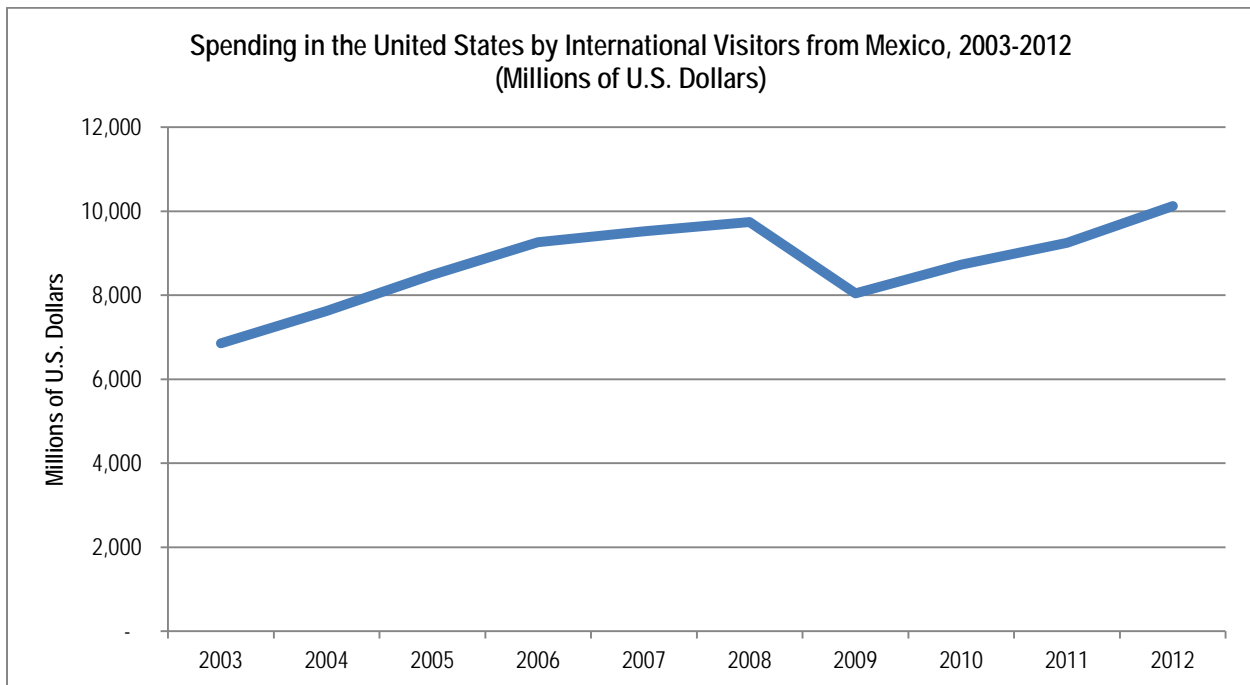
Source: U.S. Bureau of the Census, Foreign Trade Division

- U.S. investment in Mexico, and Mexican investment in the U.S., is also strong.
 - U.S. foreign direct investment (FDI) in Mexico (stock) in 2011 was \$91.4 billion, which is an increase of 8.4 percent from 2010.¹⁶ These investments are primarily in manufacturing, nonbank holding companies, and finance and insurance sectors.
 - Mexican foreign direct investment in the United States in 2011 was \$13.8 billion, which is an increase of 22.2 percent from 2010.¹⁷ Such investments in the U.S. are primarily in manufacturing and wholesale trade sectors.

Mexico is one of the largest sources of travelers and tourism spending in the United States

International travel is one of the largest exports for the United States, ranking ahead of agricultural goods and motor vehicles. It is the single largest services sector export, accounting for 25 percent of all services exports in 2011.¹⁸ Mexico is one of the most valuable participants in the United States travel and tourism market, which translates into economic benefits for a host of related service and support industries.

- Mexico, a middle-income country with over 115 million people (2012 est.) is the second largest international visitor market for the United States, after Canada. There were a total of 13.42 million visits to the U.S. from Mexico in 2011.¹⁹
- Mexican tourists represented the fourth largest source of international tourism spending in the U.S. in 2010, at \$8.7 billion, after Canada, Japan, and the United Kingdom.²⁰ The amount of spending by Mexicans traveling in the U.S. surpassed \$10 billion in 2012.



Source: U.S. Department of Commerce, Office of Travel and Tourism Industries from the Bureau of Economic Analysis, [March 2013](#).²¹

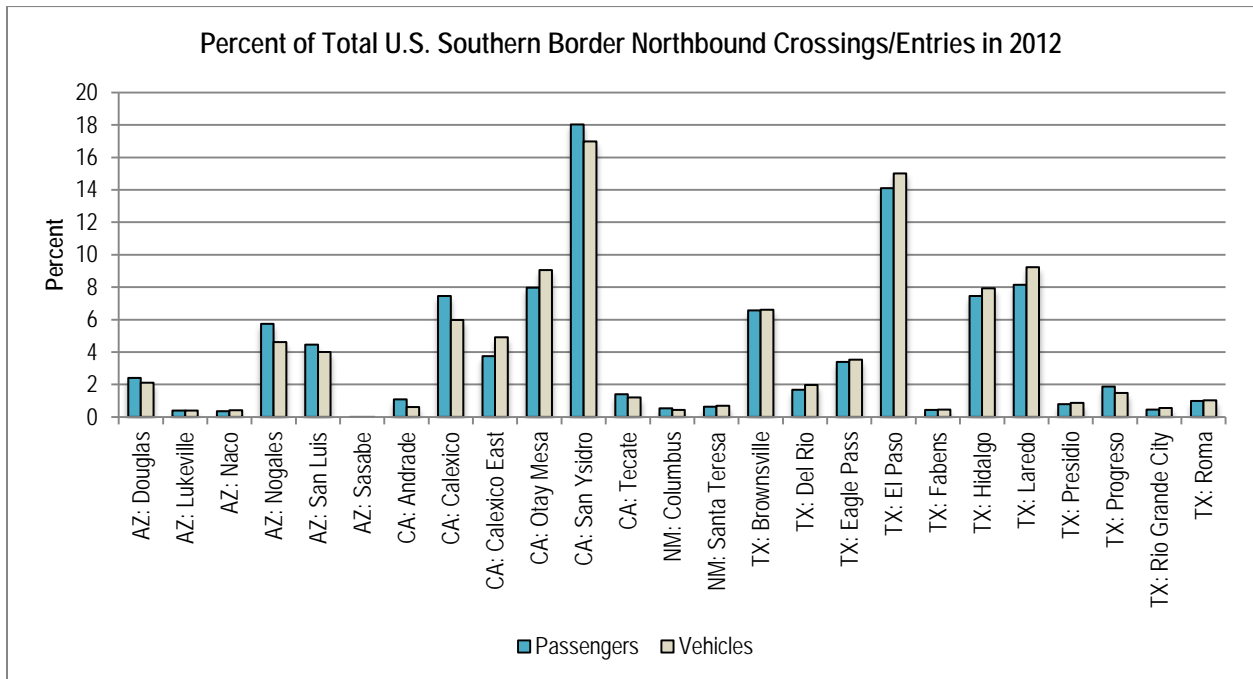
- While Mexican tourism to the U.S. can be divided into three categories – fly-in, drive-in, and pedestrian – the majority of tourists from Mexico enter the United States through one of the land ports of entry along the U.S. southern border on foot, in buses, or in privately owned vehicles. This method of entry undoubtedly brings significant economic benefits and job creation potential to local and state economies along the U.S. southern border.²²

Border communities and populations are dynamically linked with large daily interactions

- The U.S.-Mexico border is one of the busiest in the world in terms of cross-border traffic and interactions. The border region, the nearly 2,000 mile long area of land stretching for 62.5 miles north and south of the border, is comprised of four states in the U.S. and six states in Mexico, a total of 44 counties, and 80 municipalities.²³
- The busiest international land border crossing facility in the entire world is the border station at San Ysidro, where U.S. Interstate 5 crosses from San Diego into Tijuana in Mexico.²⁴
 - One in every ten people entering the United States via sea, air, or land enters through the San Ysidro Port of Entry. To put this into context, the San Ysidro port of entry processes more passengers annually than the Los Angeles International Airport, which is the fifth busiest airport in the country.²⁵
 - On average, in 2008, the San Ysidro facility processed 50,000 northbound vehicles and 25,000 northbound pedestrians each day (commercial vehicles use a separate port of

entry at Otay Mesa, which is the third busiest commercial port of entry on the southern U.S. border).²⁶

- A sizeable component of the daily border crossing traffic at San Ysidro represents commuters between Tijuana and San Diego, which represent the largest bi-national conurbation shared by the U.S. and Mexico, and the third largest in the world, with a population of 5.3 million.²⁷



Source: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, based on data from the Department of Homeland Security, U.S. Customs and Border Protection, Office of Field Operations.²⁸

- Many border crossings translate into cross-border shopping trips. Baja California-residing border crossers surveyed between 2003 to 2012 reported estimated daily expenditures averaging between \$140 to \$170, while over 25 percent stated they would spend more than \$200.²⁹
 - Cross-border shopping frequency: Surveys at the border also show that Mexico-residing visitors to San Diego County, California, are frequent shoppers. In particular, Baja California residents to a 2012 survey stated they shopped one to four times per month in San Diego.³⁰
 - Cross-border shopping economic impacts: 2012 estimates indicate that economic impacts of cross-border shopping trips account for \$10 to \$14 million daily from Baja California into San Diego, or around \$3.5 to \$5.0 billion annually.³¹

- Longer wait times at land ports of entry, due in part to heightened security along the border, can have a number of economic effects.
 - Longer border crossing wait times may deter people from choosing to cross the border in terms of shopping trips or other optional crossings (particularly the case for the busiest crossing areas in bi-national metropolitan regions such as San Ysidro and Otay Mesa, both near San Diego/Tijuana, El Paso/Ciudad Juarez, Laredo/Nuevo Laredo, and McAllen/Hidalgo/Reynosa). Longer wait times equate to fewer border crossings, less spending in cross-border communities, and potentially fewer job opportunities in service industries in those communities.³²
 - Manufacturers and production facilities in the United States who rely upon a just-in-time delivery model of inventory management can be significantly impacted by delays their cargo carriers encounter at the border. In some cases, severe delays of needed components can cause production-line shutdowns and a subsequent backlog of orders.³³
 - Long wait times also lead to more congestion, and more air pollution, at border stations. Such outcomes have significant social, economic, and environmental health concerns for border crossers, port of entry employees, and border residents.³⁴
 - 47 land ports of entry facilitate hundreds of billions of dollars in U.S.-Mexico trade every year.³⁵ Improved infrastructure at the land ports of entry along the southern border, including additional traffic lanes and processing personnel, would allow more efficient border crossing. These improvements translate into direct economic benefits to border communities and states.³⁶

Endnotes

¹ U.S. Census Bureau, “[Top Trading Partners – Total Trade, Exports, Impacts, Year-to-Date December 2011](#)” (Washington, DC: United States Census Bureau, 2011).

² International Monetary Fund, *Report for Selected Countries and Subjects* (Washington, DC: International Monetary Fund, 2013).

³ U.S. Census Bureau, “[Top Trading Partners – Total Trade, Exports, Impacts, Year-to-Date December 2011](#)” (Washington, DC: United States Census Bureau, 2011).

⁴ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).

⁵ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).

⁶ New Policy Institute, *Realizing the Strategic National Value of Our Trade, Tourism, and Ports of Entry with Mexico* (Washington, DC: New Policy Institute, 2013).

⁷ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).

⁸ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).

⁹ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).

¹⁰ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).

¹¹ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).

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- ¹² Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).
- ¹³ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).
- ¹⁴ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).
- ¹⁵ New Policy Institute, [Realizing the Strategic National Value of Our Trade, Tourism, and Ports of Entry with Mexico](#) (Washington, DC: New Policy Institute, 2013).
- ¹⁶ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).
- ¹⁷ Office of the United States Trade Representative, “[Mexico](#)” (Washington, DC: Executive Office of the President, 2013).
- ¹⁸ International Trade Administration, “Key Facts About International Travel and Tourism to the United States,” (Washington, DC: U.S. Department of Commerce, 2011).
- ¹⁹ Alexander Figueroa, Erik Lee, and Rick Van Schoik, [Realizing the Full Value of Tourism from Mexico to the United States](#) (Tempe, AZ: North American Center for Transborder Studies, Arizona State University, 2012).
- ²⁰ Alexander Figueroa, Erik Lee, and Rick Van Schoik, [Realizing the Full Value of Tourism from Mexico to the United States](#) (Tempe, AZ: North American Center for Transborder Studies, Arizona State University, 2012).
- ²¹ Note: Total spending depicted in this chart includes travel spending and passenger fares paid to U.S. carriers. The majority of spending by Mexicans traveling in the U.S. is within the travel spending category. Travel spending covers purchases of goods and services by foreign travelers in the United States for business or personal reasons. These goods and services include food, lodging, recreation, gifts, entertainment, local transportation in the country of travel, and other items incidental to a foreign visit. U.S. travel transactions with both Canada and Mexico include border transactions, such as day trips for shopping and sightseeing. Passenger fares cover the fares received by U.S. air carriers from foreign residents for travel between the United States and foreign countries and between two foreign points, and the fares received by U.S. vessel operators for travel on cruise vessels.
- ²² Alexander Figueroa, Erik Lee, and Rick Van Schoik, [Realizing the Full Value of Tourism from Mexico to the United States](#) (Tempe, AZ: North American Center for Transborder Studies, Arizona State University, 2012).
- ²³ United States-Mexico Border Health Commission, “United States-Mexico Border Region at a Glance,” (El Paso, TX: United States-Mexico Border Health Commission, 2013).
- ²⁴ California Department of Transportation, [San Ysidro Port of Entry Border Investment Strategy](#) (Sacramento, CA: California Department of Transportation, 2008).
- ²⁵ California Department of Transportation, [San Ysidro Port of Entry Border Investment Strategy](#) (Sacramento, CA: California Department of Transportation, 2008).
- ²⁶ California Department of Transportation, [San Ysidro Port of Entry Border Investment Strategy](#) (Sacramento, CA: California Department of Transportation, 2008).
- ²⁷ James Loucky, Donald K. Alper, and J. C. Day, [Transboundary Policy Challenges in the Pacific Border Regions of North America](#) (Calgary: University of Calgary Press, 2008).
- ²⁸ Note: Passengers category represents total bus passengers, personal vehicle passengers, and pedestrians. Vehicles category represents total vehicles (trucks, trains, buses, and personal vehicles).
- ²⁹ CrossborderBusiness, “Regional Border Crossing Trends and Economic Impacts,” (San Diego, CA: Crossborder Group Inc., 2012).
- ³⁰ CrossborderBusiness, “Regional Border Crossing Trends and Economic Impacts,” (San Diego, CA: Crossborder Group Inc., 2012).
- ³¹ CrossborderBusiness, “Regional Border Crossing Trends and Economic Impacts,” (San Diego, CA: Crossborder Group Inc., 2012).
- ³² Bryan Roberts, Nathaniel Heatwole, Dan Wei, Misak Avetisyan, and Oswin Chan, “[The Impact on the U.S. Economy of Changes in Wait Times at Ports of Entry](#),” (Los Angeles: CREATE Homeland Security Center, University of Southern California, 2013).
- ³³ Carlos Olmedo and Dennis L. Soden, “Terrorism’s Role in Re-Shaping Border Crossings: 11 September and the US Borders,” *Geopolitics* 10, 2005, pp. 741-766.
- ³⁴ Carlos Olmedo and Dennis L. Soden, “Terrorism’s Role in Re-Shaping Border Crossings: 11 September and the US Borders,” *Geopolitics* 10, 2005, pp. 741-766.
- ³⁵ New Policy Institute, [Realizing the Strategic National Value of Our Trade, Tourism, and Ports of Entry with Mexico](#) (Washington, DC: New Policy Institute, 2013).

³⁶ New Policy Institute, [*Realizing the Strategic National Value of Our Trade, Tourism, and Ports of Entry with Mexico*](#) (Washington, DC: New Policy Institute, 2013).