

NAFTA/Automotive Industry. Likely Outcomes

Alex Covarrubias

El Colegio de Sonora/
Red Itiam.

APRC Seminar, April 2018

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- ▶ I NAFTA Outcomes
- ▶ II The usual suspect> automotive industry
- ▶ III A case of social dumping
- ▶ IV Likely scenarios

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- ▶ I NAFTA Outcomes



370%

Percent by which total trilateral trade between Canada, Mexico, and the United States grew between 1994, when NAFTA went into effect, and 2016.



14 million

U.S. jobs that depend on trade with Canada and Mexico.



58%

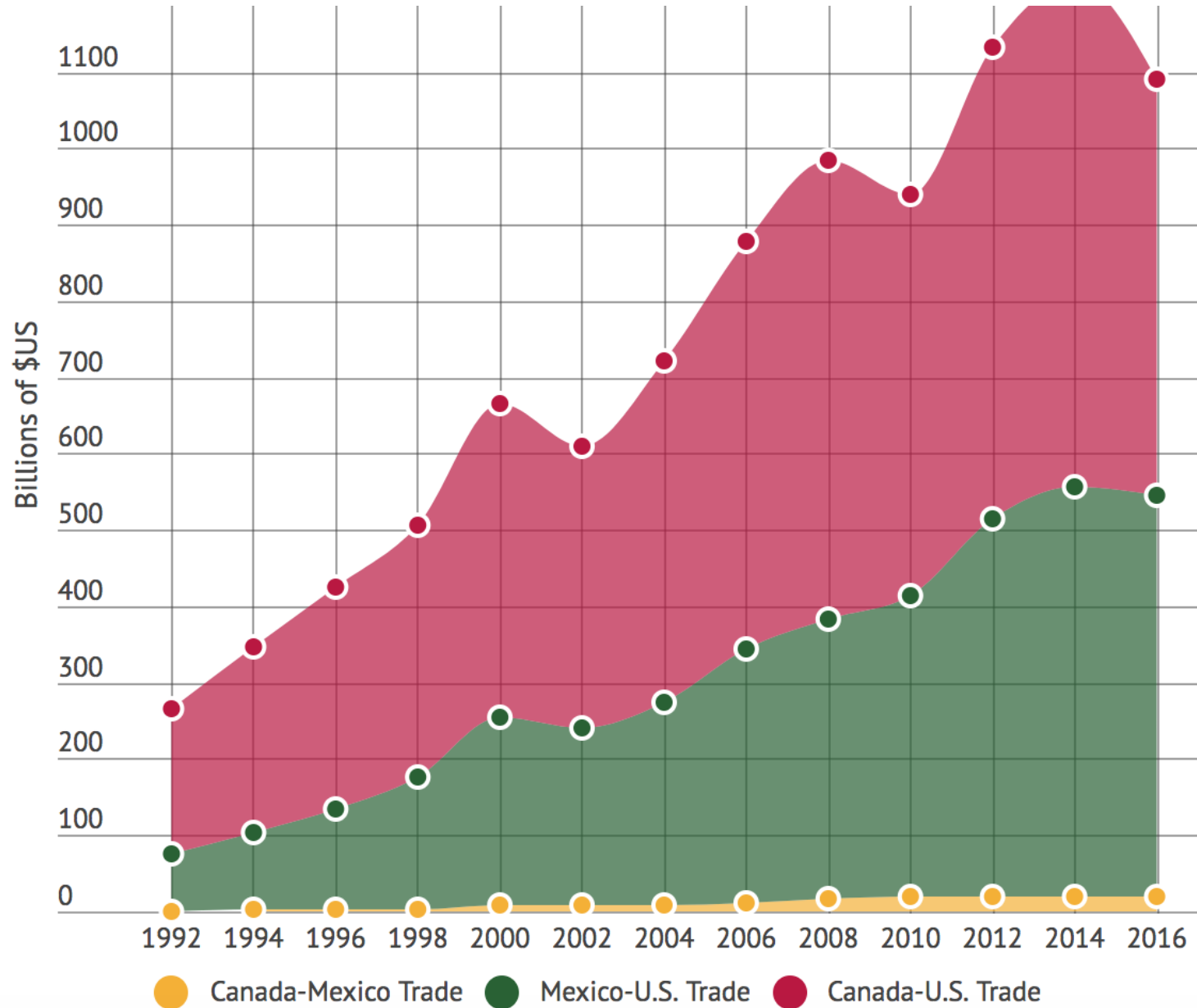
Almost 3 in 5 international tourists to the United States are from Canada or Mexico, and 56% of all trips U.S. tourists take abroad are to those two countries.



\$2.8 billion

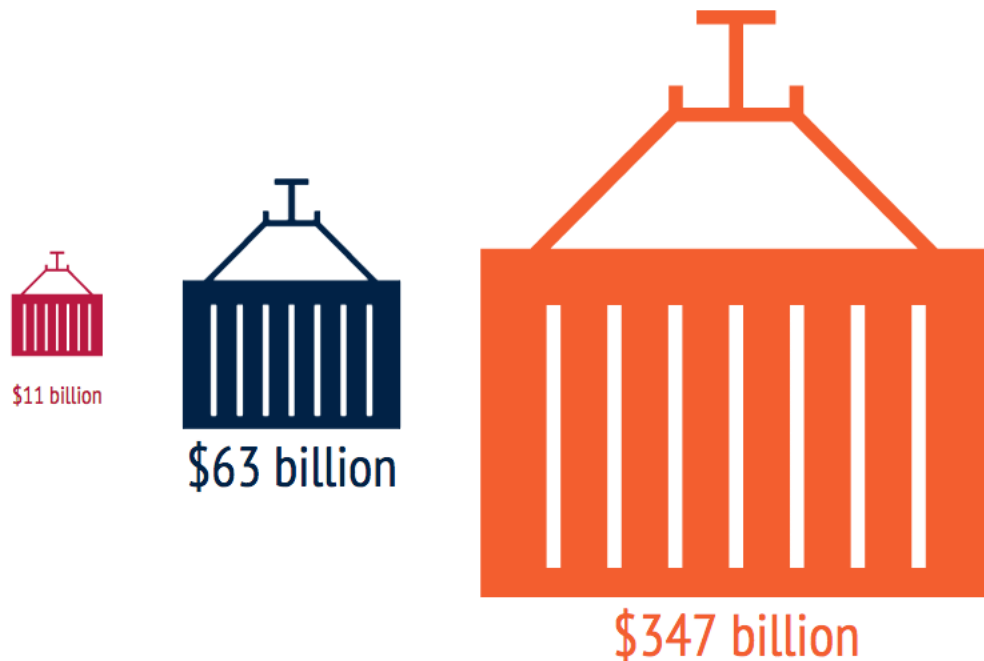
Estimated U.S. tourism revenue losses in 2017 and 2018, due to 4.4 million fewer visits from Mexico in light of President Donald Trump's anti-Mexico rhetoric.

Rising Trilateral Trade

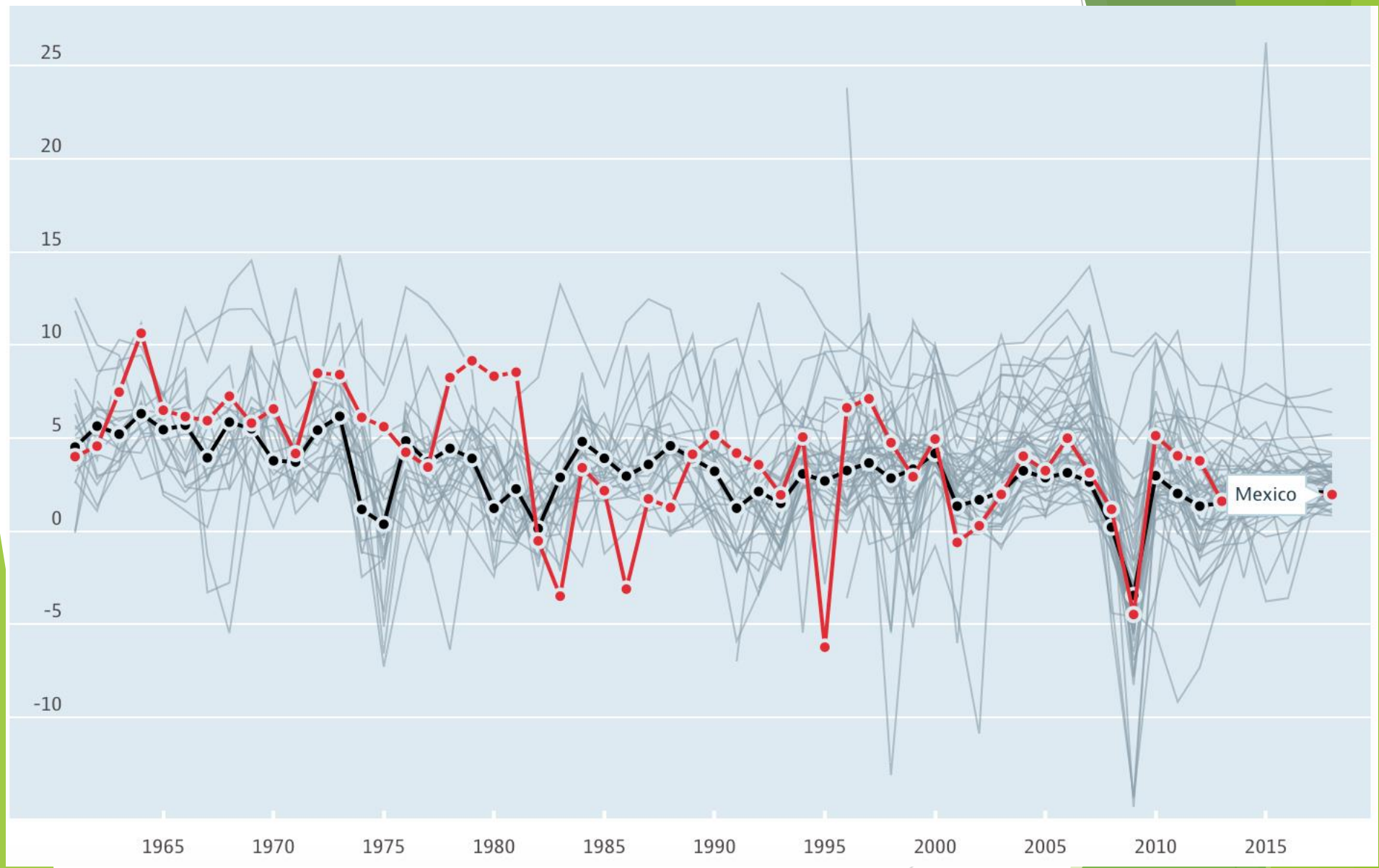


U.S. Trade Deficits in 2016

The U.S. trade deficit with China is more than five times its deficit with Mexico.



● Canada ● Mexico ● China



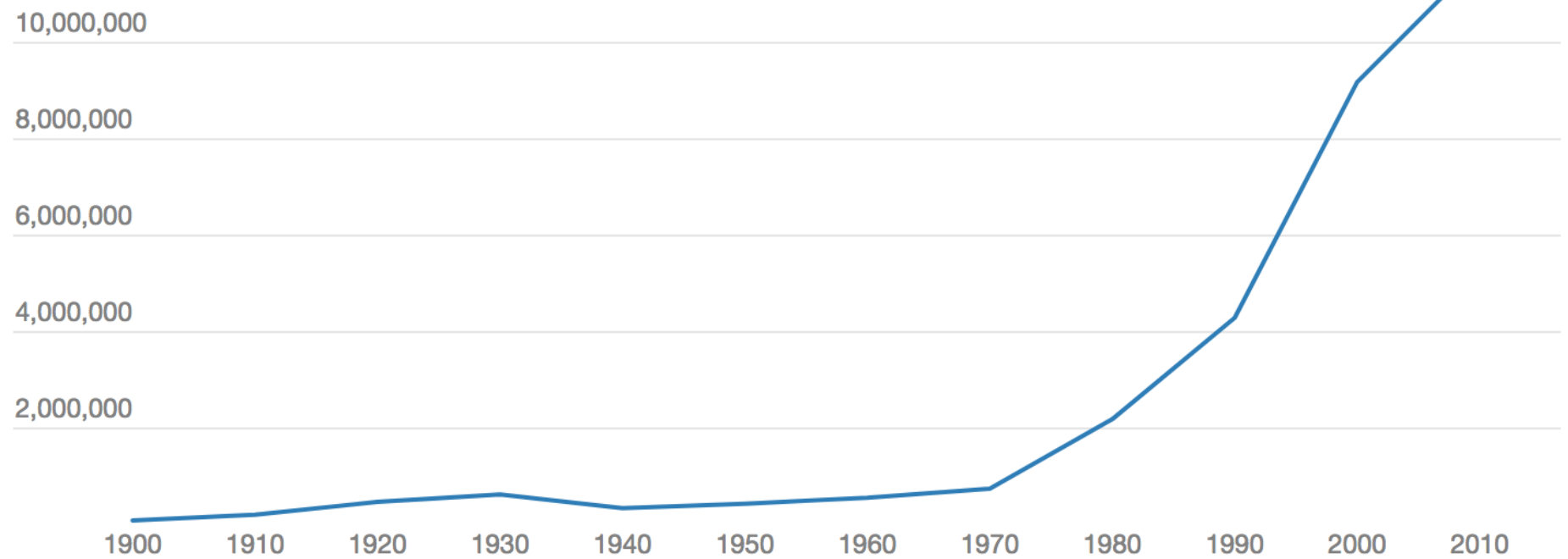
Mexico

América Latina: media anual de crecimiento per cápita 1994-2013

1	Panamá	4,4%
2	Chile	3,4%
3	Perú	3,4%
4	Guyana	3,0%
5	Costa Rica	2,5%
6	Uruguay	2,5%
7	Argentina	2,5%
8	Surinam	2,4%
9	Colombia	2,1%
10	Nicaragua	2,0%
11	El Salvador	1,9%
12	Ecuador	1,9%
13	Brasil	1,8%
14	Bolivia	1,7%
15	Honduras	1,6%
16	Belice	1,5%
17	Paraguay	1,0%
18	México	0,9%
19	Venezuela	0,8%
20	Guatemala	0,6%

Fuente: FMI (2013a), Feenstra, Inklaar y Timmer (2013), cálculos de los autores.

Mexican immigrants in the U.S. (1900-2015)

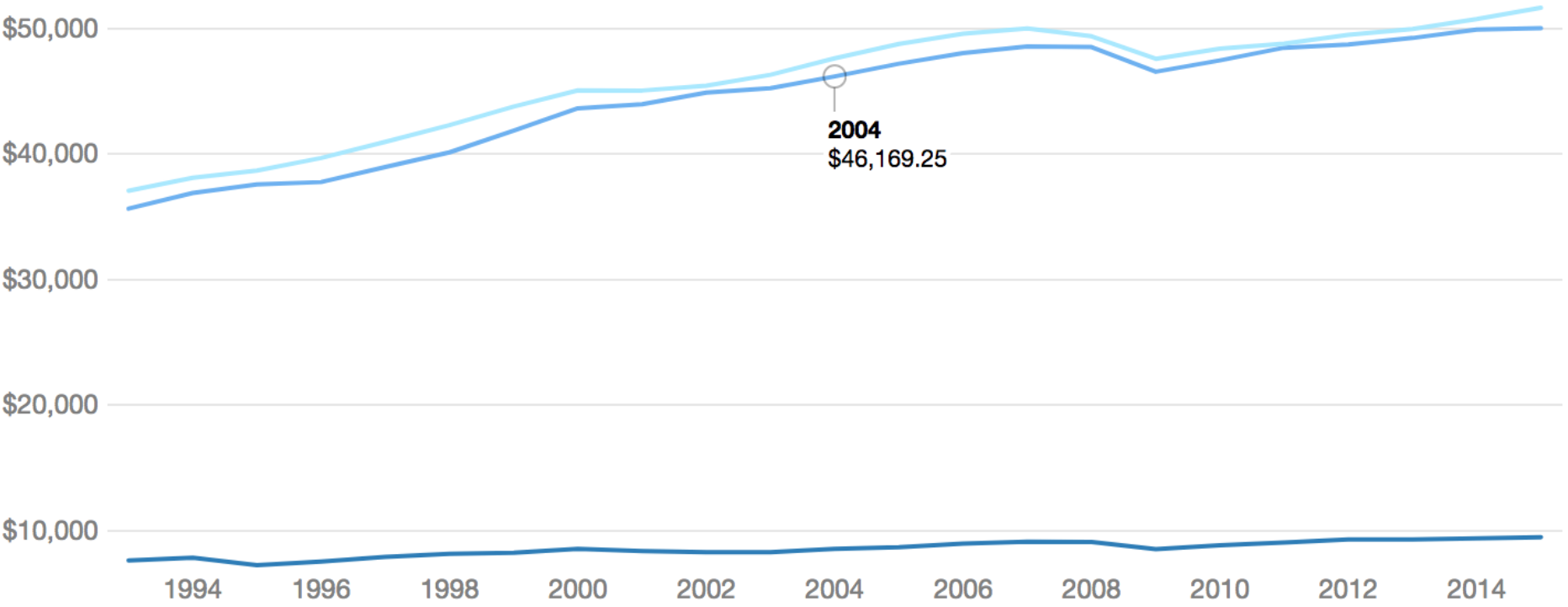


Source: Migration Policy Institute

Created with [Datawrapper](#)

Real per capita GDP (1993-2015)

■ Mexico ■ Canada ■ U.S.



2010 USD

Source: World Bank/FRED

Created with [Datawrapper](#)

Agenda

- ▶ II The usual suspect > automotive industry

**Table 1 North America Cars & Commercial Vehicles
Vehicle production (Millions)**

Year	Canada	USA	Mexico	North America
1990	2	9.8	.8	12.6
1997	2.3	12.1	1.4	15.8
2000	3	12.8	1.9	17.7
2007	2.6	10.8	2.1	15.5
2016	2.4	12.2	3.6	18.2

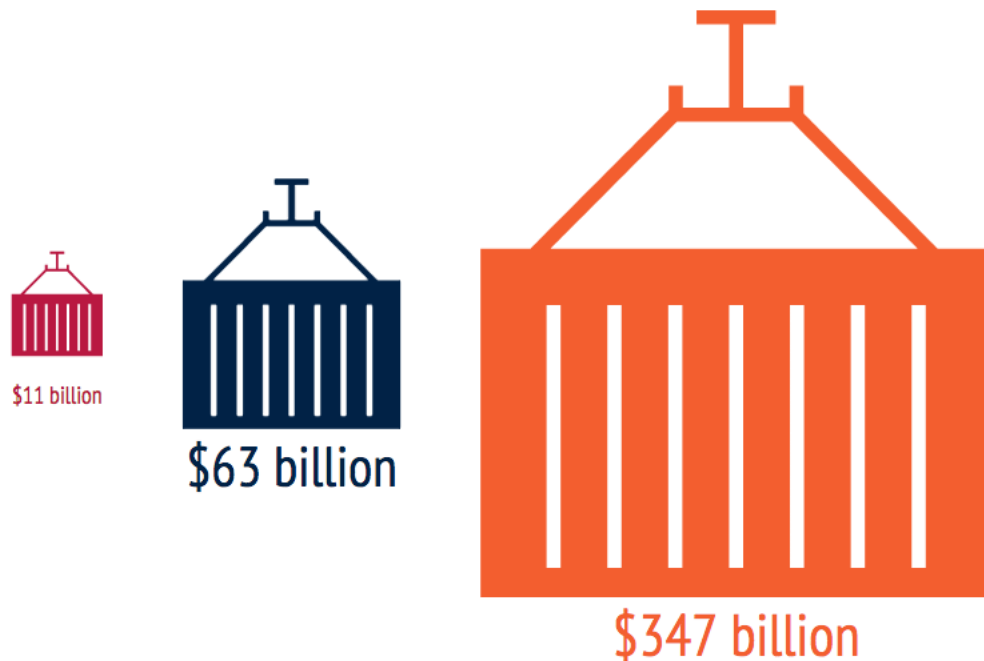
**Table 2 U.S.-Mexico Trade
(Millions)**

Year	Exports	Imports	Balance
1993	41,580	39,917	1,663
2016	229,701	294,055	-64,354

Source: Own elaboration with United Census Bureau's data.

U.S. Trade Deficits in 2016

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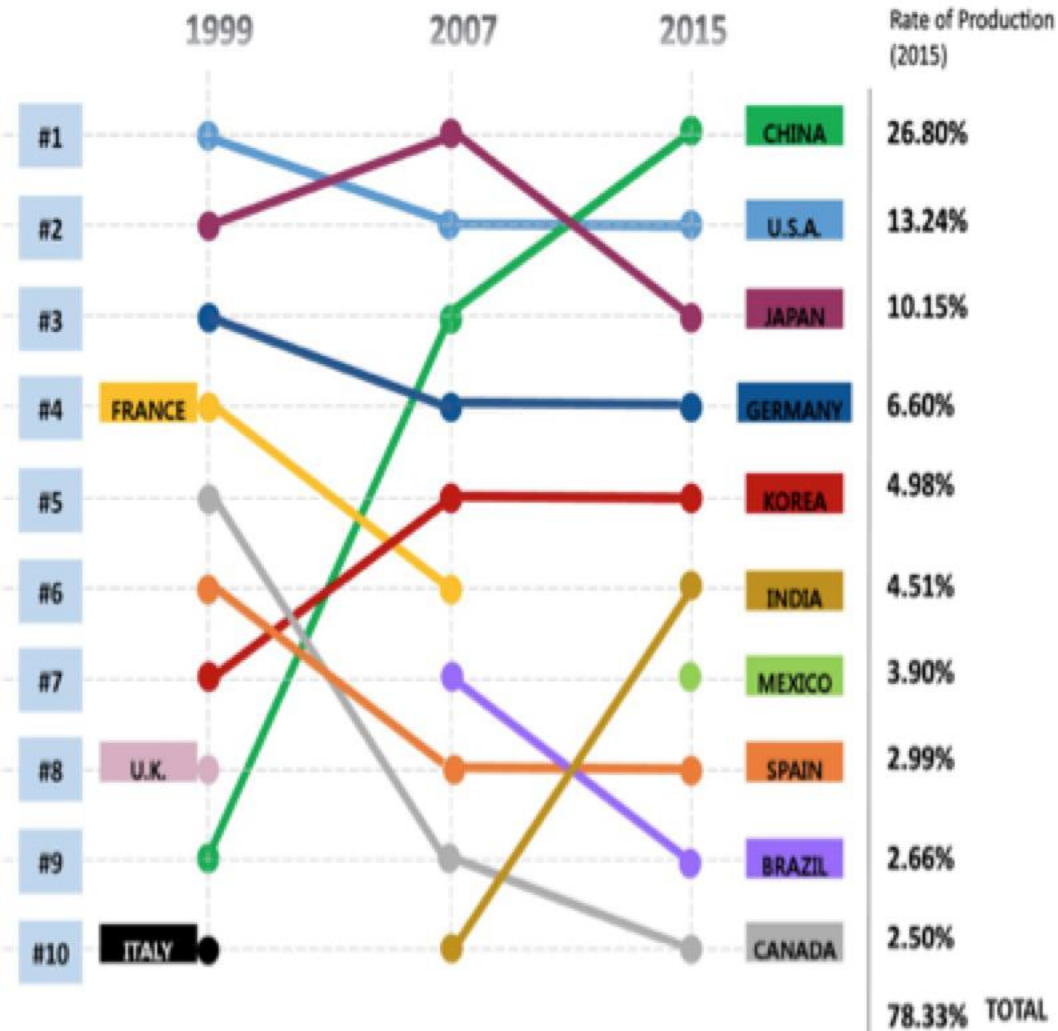


● Canada ● Mexico ● China

PRODUCTION

Ranking

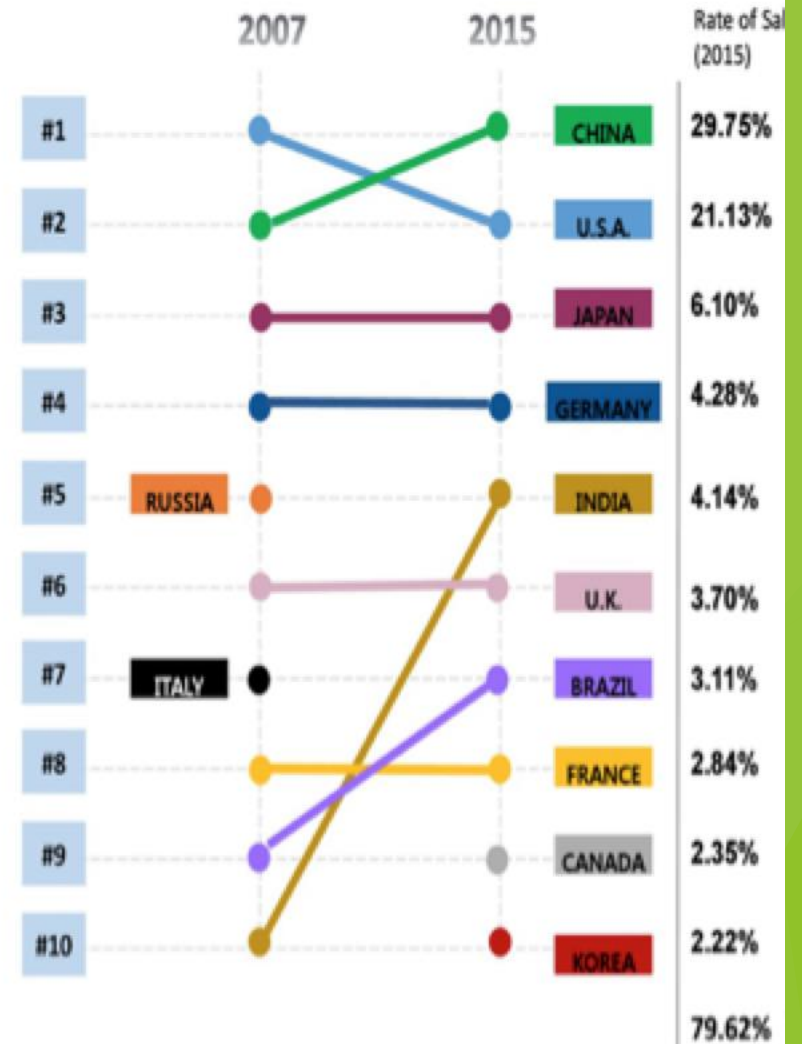
1999, 2007, 2015



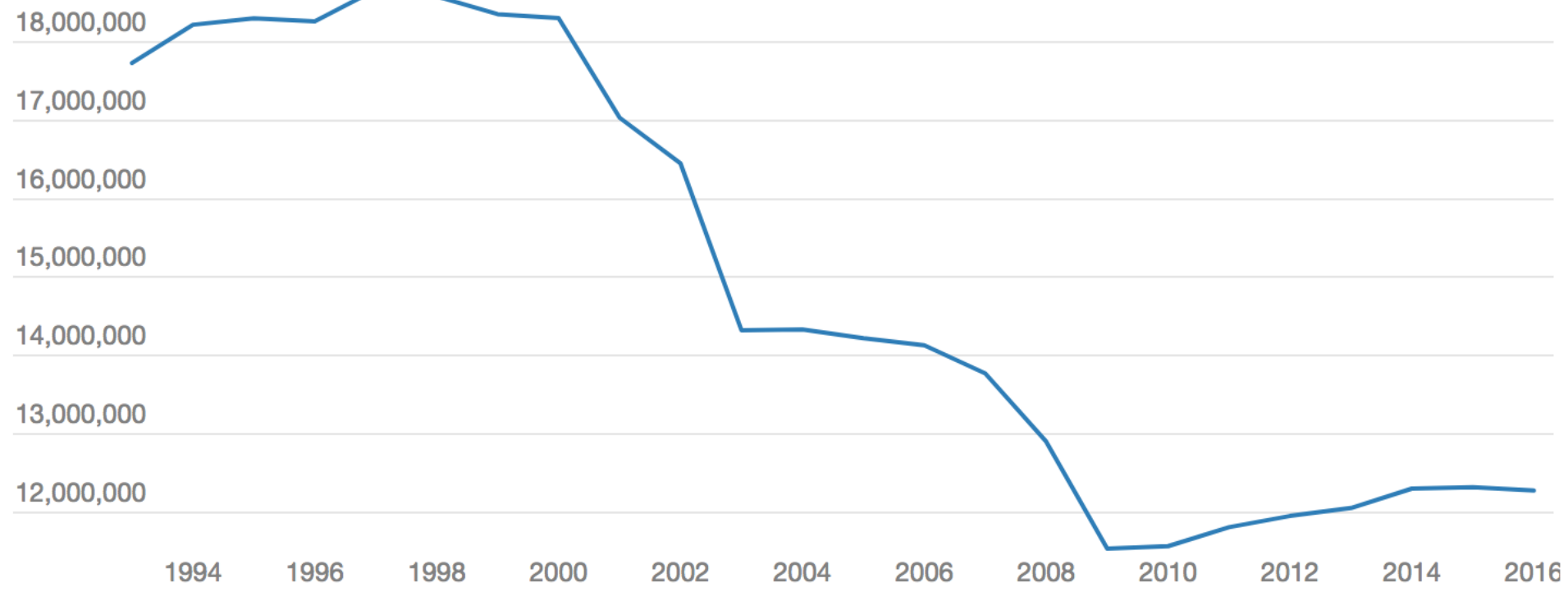
SALES

Ranking

2007, 2015

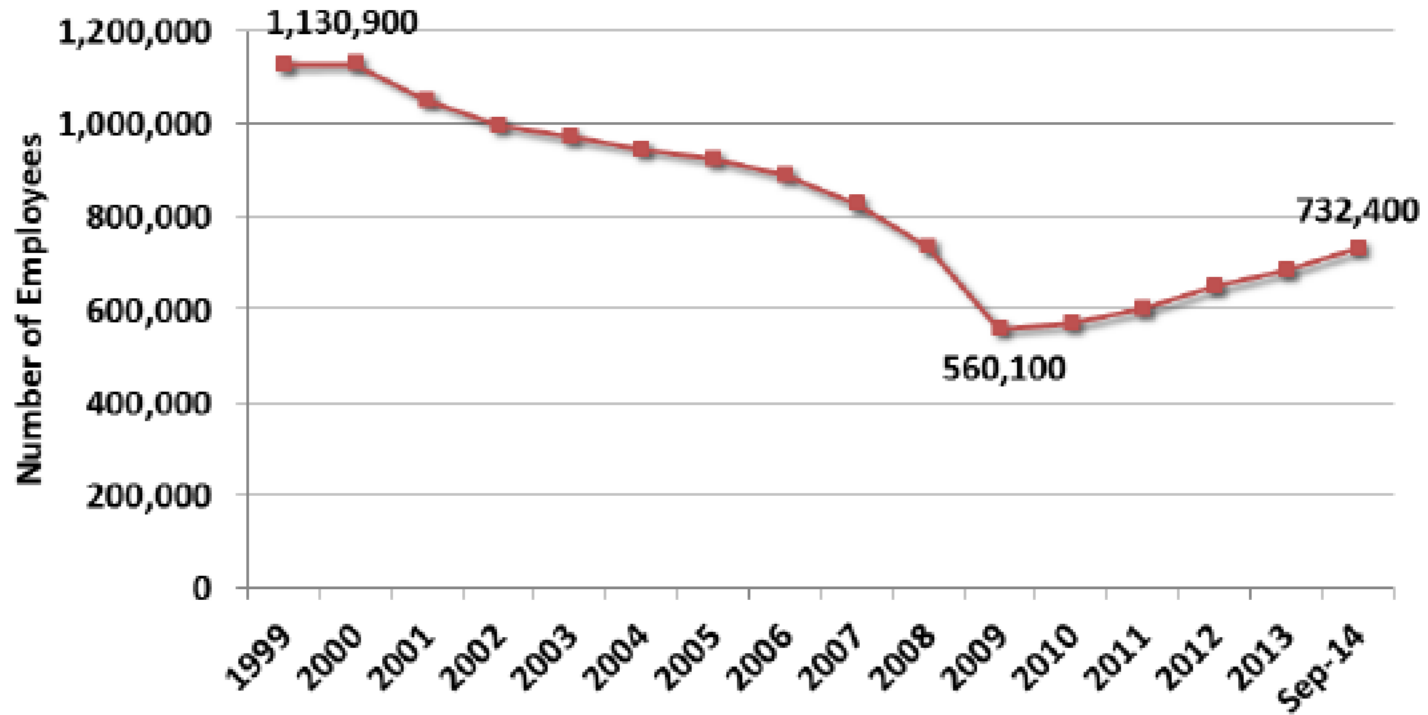


U.S. manufacturing jobs (1993-2016)



At year-end; 2016 figure is preliminary

Chart 1: Motor Vehicle & Parts Manufacturing Employment 1999 – September 2014



Source: BLS, U.S. DOL

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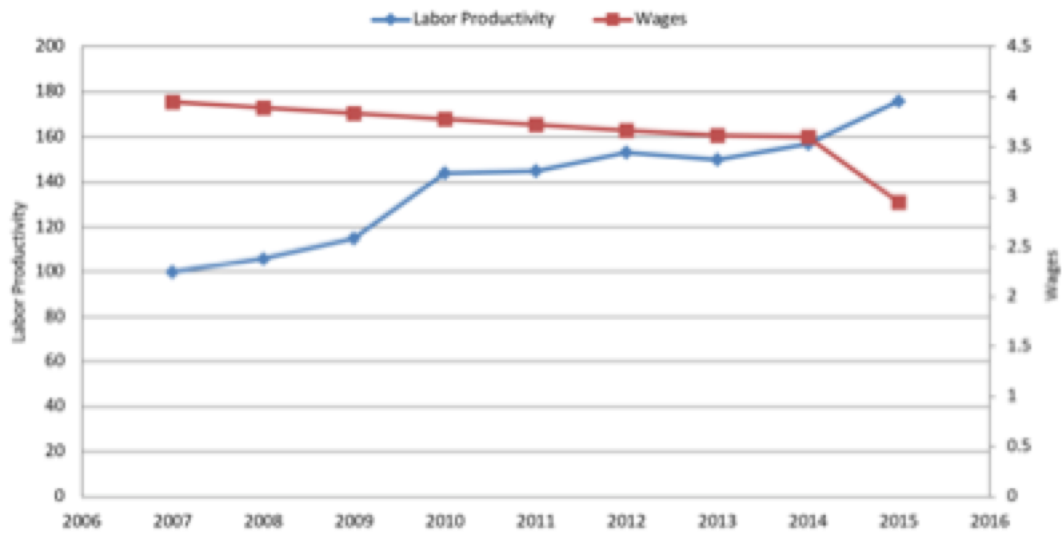
- ▶ III A case of social dumping

**Table 4 Blue Collar Workers
Assembly Plants Hourly Wages.**

OEM/Plant (Contract year)	Mexican Pesos	USD
Nissan Ciyac (2016)	60	3.2
Chrysler Toluca (2015)	59	3.2
Chrysler Coahuila (2015)	59	3.2
VW Puebla (2016)	54	2.9
GM Toluca (2016)	51	2.8
Audi SICH Puebla (2017)	50	2.7
Ford Cuautitlan (2016)	46	2.5
Toyota Baja California (2016)	46	2.5
Kia Pesqueria (2015)	46	2.5
Ford Hermosillo (2016)	42	2.3
Nissan Aguas Calientes (2016)	40	2.2
Nissan Aguas Calientes II (2016)	40	2.2
GM Ramos Arizpe (2016)	36	1.9
Honda El Salto (2016)	35	1.9
GM San Luis Potosi (2016)*	33	1.8
Honda Guanajuato (2016)	31	1.7
BMW San Luis Potosi (2016)*	28	1.5
Mazda (2016)	19	1
Mean hourly wage	43	2.3

Source: Collective Bargaining Agreements (as registered in Labor Minister Office STPS as of February

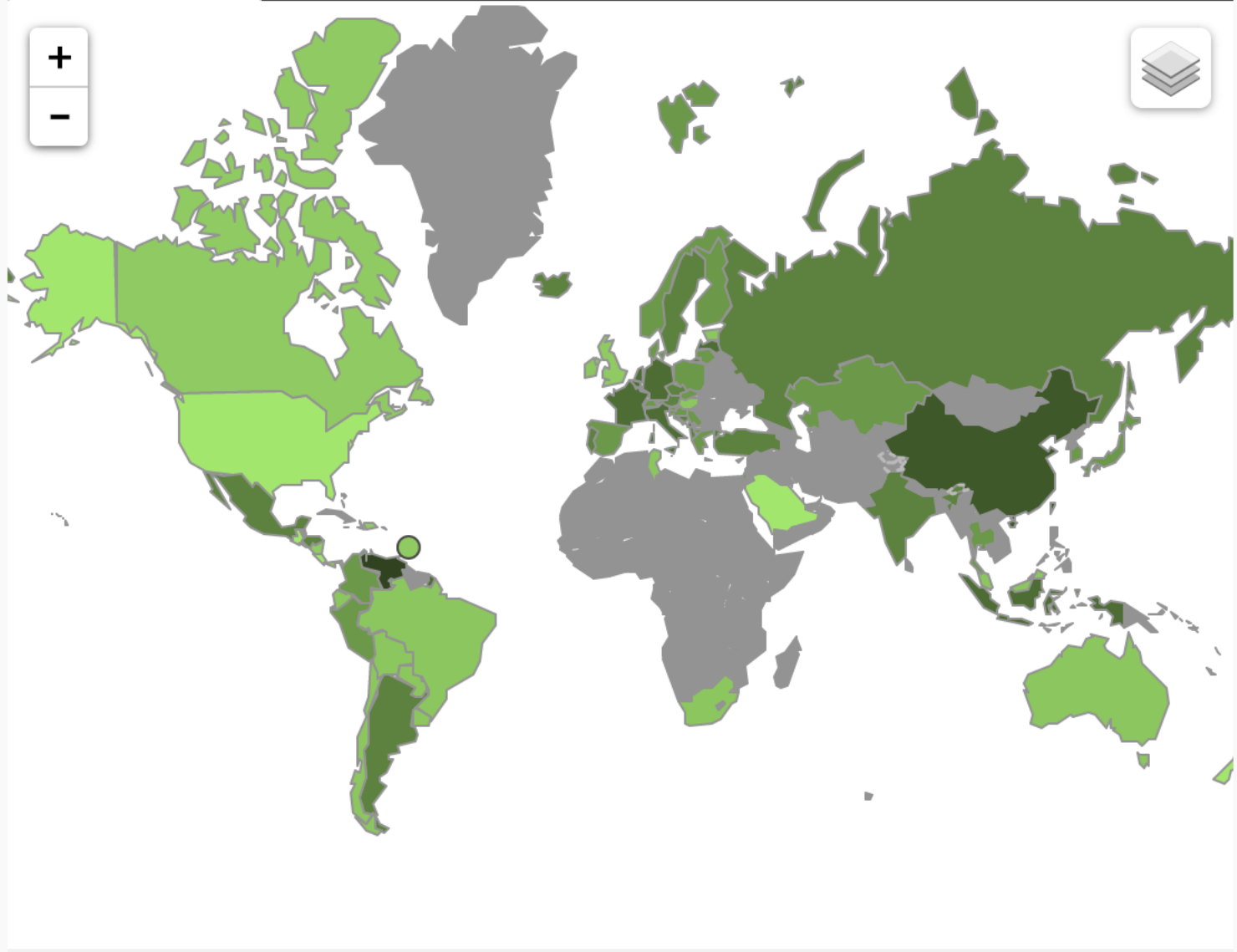
Labor productivity and wages, MAI 2007-2016



Employment Protection Legislation

Change view 

Overview



Permanent workers, 2015



The OECD indicators on Employment Protection Legislation

Scale from 0 (least restrictions) to 6 (most restrictions), last year available


		Protection of permanent workers against individual and collective dismissals	Protection of permanent workers against (individual) dismissal	Specific requirements for collective dismissal	Regulation on temporary forms of employment
Mexico	2013	2.62	1.91	4.38	2.29
Brazil	2012	1.75	1.84	1.50	4.08
United States	2013	1.17	0.49	2.88	0.33
Canada	2013	1.51	0.92	2.97	0.21
France	2013	2.82	2.60	3.38	3.75
Germany	2013	2.84	2.53	3.63	1.75

The OECD indicators on Employment Protection Legislation

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Can	1.51	.92	2.97	.21
US	1.17	.49	2.88	.33
Mex	2.62	1.91	4.38	2.29

Source: OCDE, 2013, *Indicators of Employment Protection*, online, <http://www.oecd.org/els/emp/oecdindicatorsofemploymentprotection.htm>.

 **Table 8 Fundamental ILO Conventions. North American countries**

<i>Convention</i>	<i>U.S.</i>	<i>Canada</i>	<i>Mexico</i>
<i>C29-Forced labor</i>		<i>X</i>	<i>X</i>
<i>C087-Freedom of association and protection of the right to organize</i>		<i>X</i>	<i>X</i>
<i>C098-Righ to organize and collective bargaining</i>		<i>X</i>	
<i>C100-Equla remuneration</i>		<i>X</i>	<i>X</i>
<i>C105-Abolition of forced labor</i>	<i>X</i>	<i>X</i>	<i>X</i>
<i>C111-Discrimination (employment and occupation)</i>		<i>X</i>	<i>X</i>
<i>C138-Minimum age</i>		<i>X</i>	<i>X</i>
<i>C182-Wors forms of child labor</i>	<i>X</i>	<i>X</i>	<i>X</i>

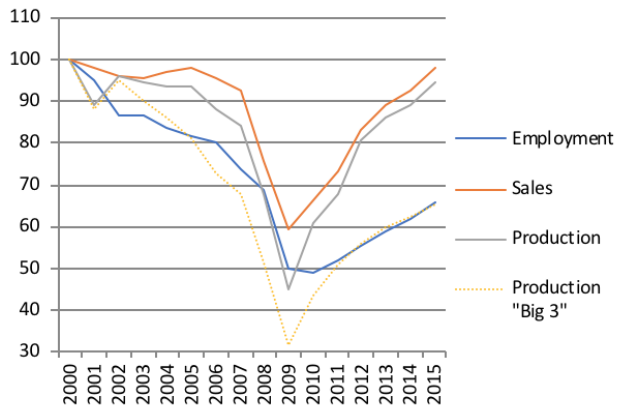
Source: ILO, online, <http://www.ilo.org/global/lang--en/index.htm>

Table 5 OCDE Tax Wedges (2016) (as a percentage of labor costs).

Country Total Tax Wedge	Income Tax	Employee SSC	Employer SSC
CAN: 31.4	13.8	6.8	10.8
US:: 31.7	16.9	7.1	7.7
Mex: 20.1	8.5	1.2	10.4
OCDE: 36	13.4	14.4	14.4
Latin American countries: 21.7	0.3	7.7	14.3

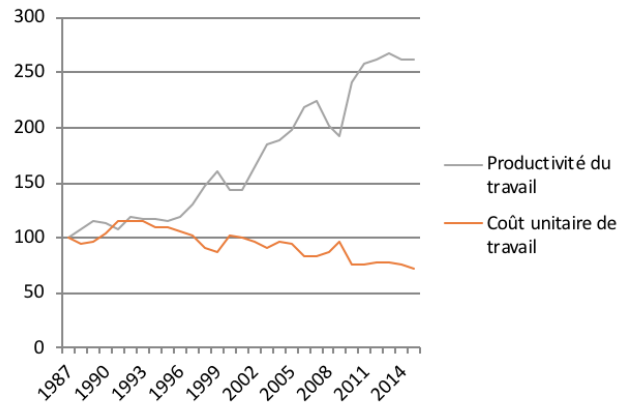
A North-American pattern?

US Automotive industry (base 100 2000)



Source: WARDS, BLS

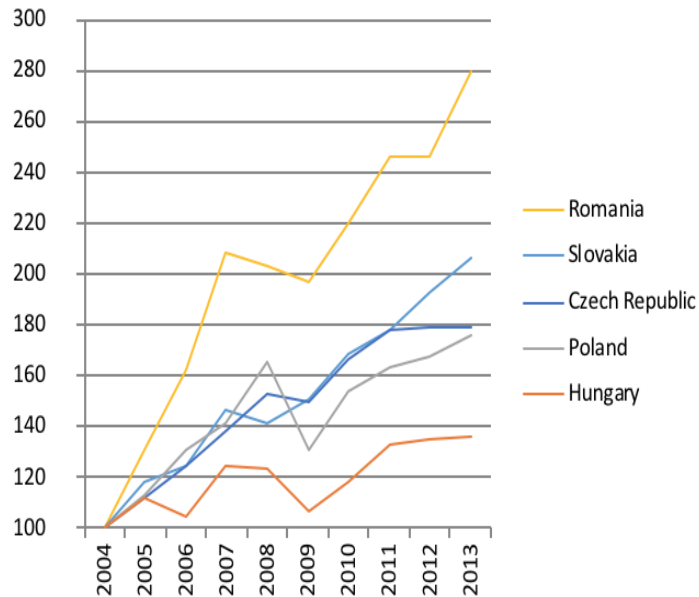
Work productivity and unit labor cost (base 100 1987)



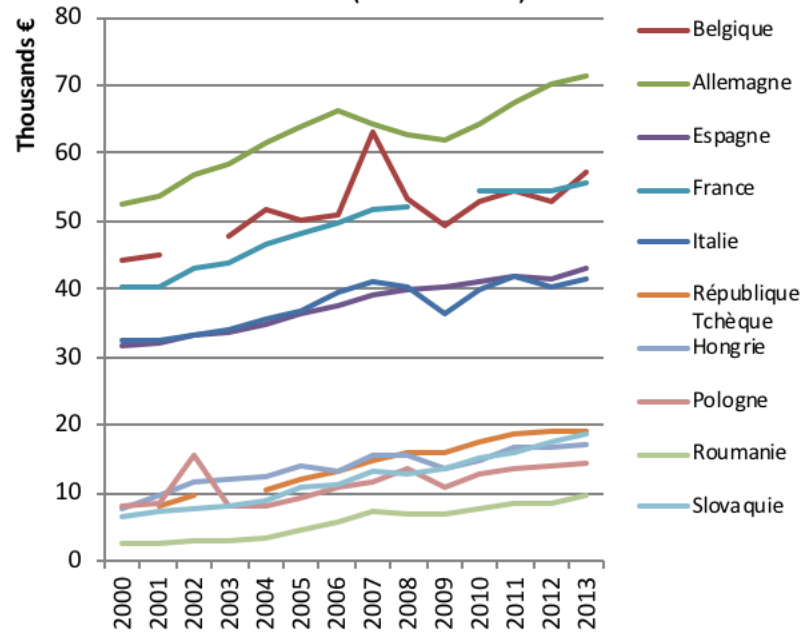
Source: BLS

Central Europe ...

Average cost of personnel in the automotive sector
- CEE (base 100 2004)

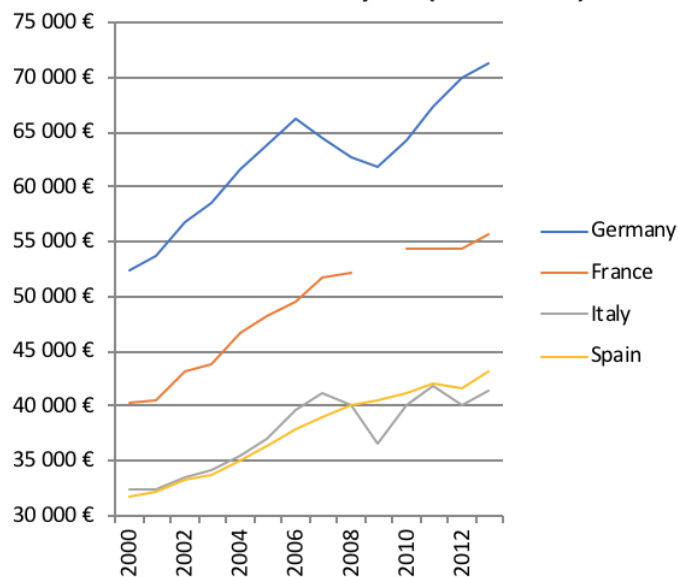


Average annual cost of work per employee in
the automotive sector (2000-2013)



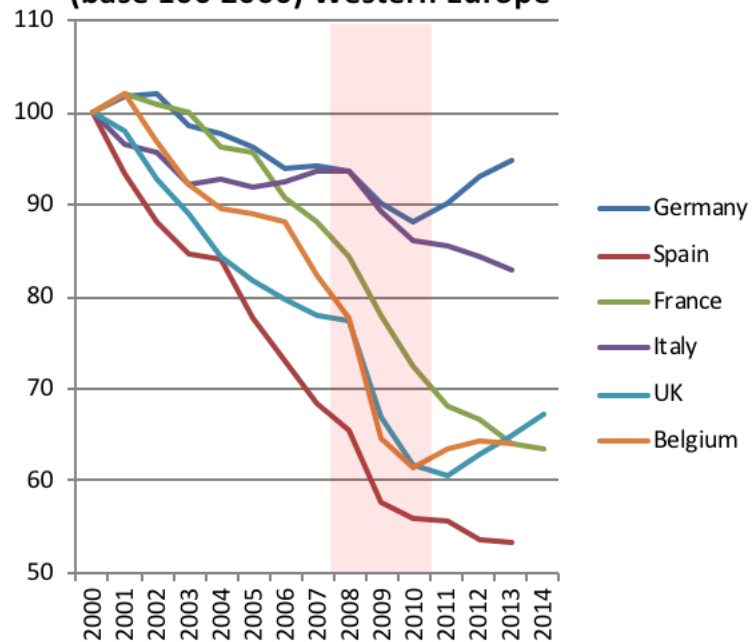


Average annual cost per employee in the automotive industry EU (2000-2013)



Source: Eurostat – Annual enterprise statistics for special aggregates of activities (NACE – R2 / Automobile industry)

Employment in the automotive sector (base 100 2000) Western Europe



Agenda

- ▶ IV Likely scenarios
- ▶ Everything is uncertain/Everything is political
- ▶ The man is crazy/Is he?
- ▶ A guerilla nationalist
- ▶ NAFTA/The Wall/Troops on the border

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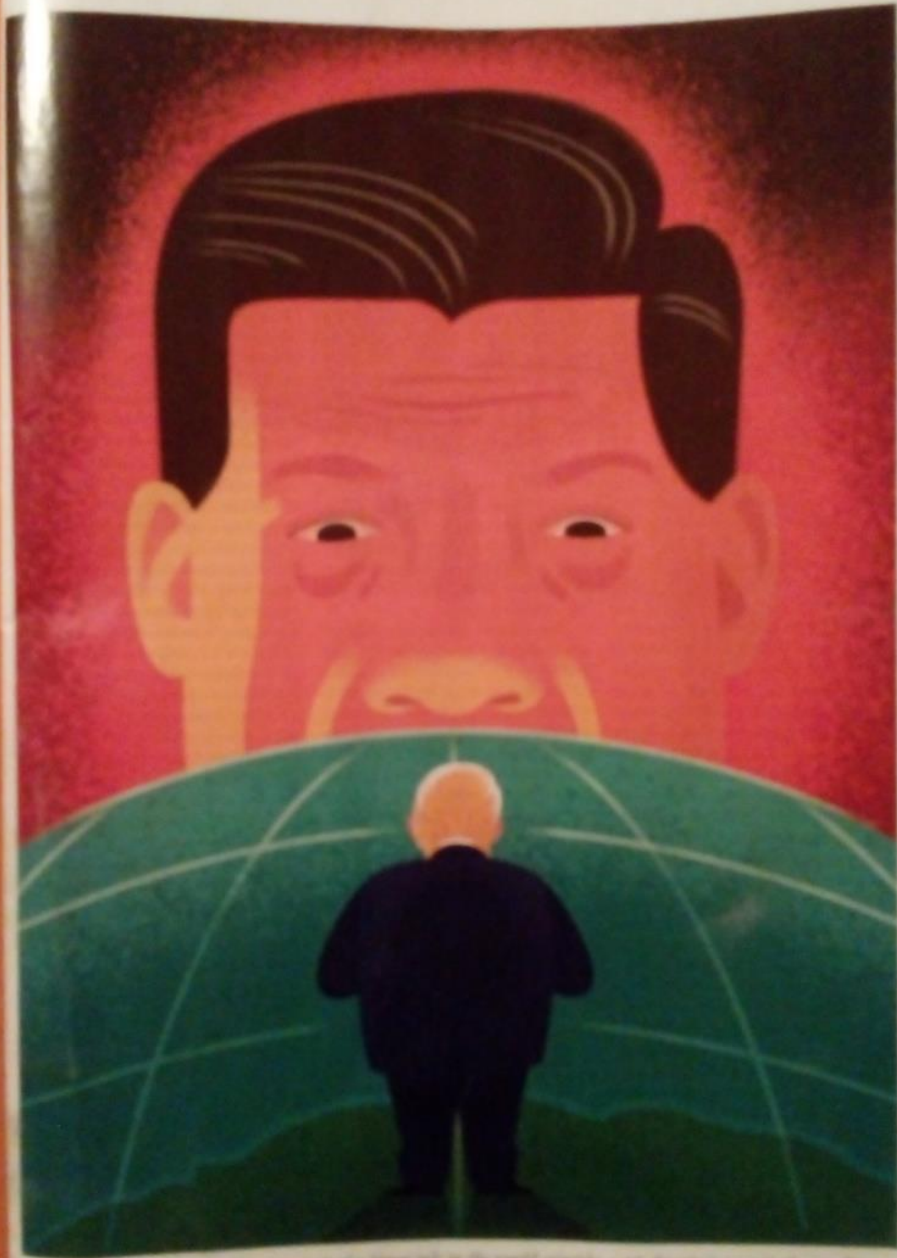
IV Likely scenarios

- ▶ Cosmetic/Adjusted NAFTA
- ▶ Everything remains the same
- ▶ What does each country wants/have
- ▶ Mexico gets the jobs, US remains afloat and Canada holds the line

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IV Likely scenarios

- ▶ NAFTA dies
- ▶ China/Europe filling the vacuum



In the unfamiliar moment, China's pursuit of a larger role in the world coincides with America's pursuit of a smaller one.

ILLUSTRATION BY PAUL BOWEN

A China - USA war is in the making

- ▶ The Trump administration's plans to tax \$50 billion worth of Chinese imports is met with threats by the Chinese to subject \$50 billion worth of American products to the same.
- ▶ **War o Commercial Guerrilla Warfare**
- ▶ China's role as the United States' largest creditor; the
- ▶ Could China use its role as No. 1 lender to exert pressure in a trade war?

A capacities/innovation/competiveness building scenery

- ▶ Questions from how to improve NAFTA to how to build a highly competitive/highly integrated region
- ▶ Leveling the field & Rising wages in Mexico
- ▶ Thinking about new mobility era.
- ▶ Drawing on interactions and complementarities.



Market value (Billion)

OEMs

Toyota	172
VW	73
Honda	51.4
GM	51
Ford	45
Nissan + Renault	38.4 + 25
Mitsubishi	35
FCA	32

New Entrants

Uber	75
Tesla	51
Didi Chuxing	50
Lyft	7.5

Amazon	530
Ali Baba	453

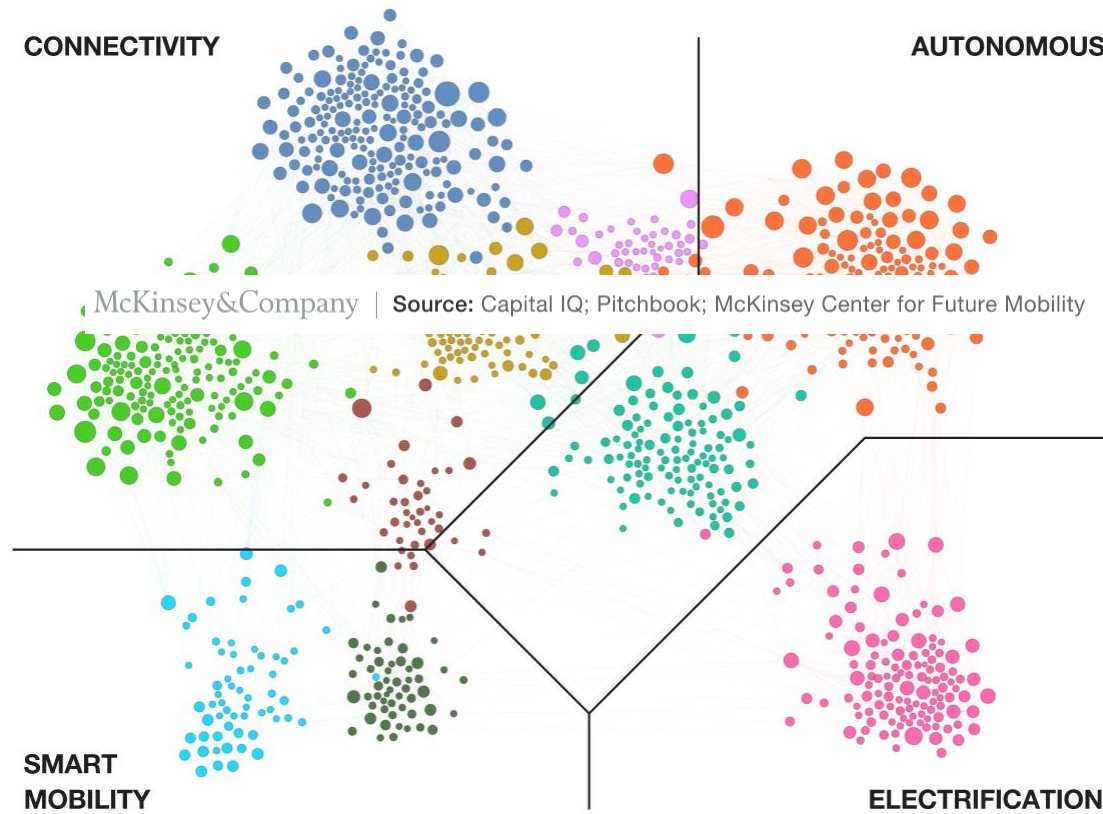
Tech-s Top

Apple	900
Alphabet/Google	810
Microsoft	725
Facebook	543

What is at stake: markets arrangements to New Techs, BMs, LR

- ▶ Who is I going to build the BMs and Mobilities of the future/
- ▶ Who is going to gain the race for the future/
- ▶ Who is going to build the cities and communities of the future/
- ▶ Who is going to make the most of the power of borderless moving of people, goods and info/ideas unleashed by digital technologies?
- ▶ How we work, shop and socialize
- ▶ Or mobility as motion + Urban designs + human progress + limitless networks +
- ▶ Reframing frontiers

- Back end and cybersecurity
- User-interface technologies
- Telematics
- Gesture/voice recognition
- Parking and mobility optimization
- Sensors/semiconductors
- Autonomous solutions
- Electrification/energy storage
- Vehicle leasing/fleet mgmt.
- Sharing solutions



Ecosystems of Innovation

