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The Effects of the Trump Agenda in a Global Economy:
A Perspective from Mexico

*Abraham Alejandro Martinez Lopez**

ABSTRACT

Business environments have shifted over the course of the years due to the necessity of adapting market trends with political stands. Countries have converted commercial policies into negotiation tools and trading a “must” topic within the diplomatic relationships between them. Nevertheless, a “global protectionism” has rose as a common posture for nations to withhold resources from shortage in times of economic crisis and the never-ending will of pursuing nationalism as a power tool. Industry innovations, foreign investments, and international market demands have obliged administrations to fix their economic models into a posture within or out of the globalization trend. In the case of the United States of America, ever since President Donald Trump’s inauguration, the nation has taken a path towards protectionism. This is evidenced because of his administration’s stands on the imposition of tariffs, the reconfiguration of trade agreements, and the impact of his rhetoric in ambits such as immigration, social integration, and foreign relations. By defending his arguments on protecting national industries, its trade balance, and American jobs on the imposition of tariffs and the nation’s withdrawal of the Trans-Pacific Partnership; doubting the existence of climate change up to a point of withdrawing from the biggest convention against greenhouse gas emissions, the Paris Agreement; and accusing an entire country, Mexico, of sending drug-dealers, criminals, and rapists, Donald Trump has gained strong criticism that has shifted world economics and diplomacy worldwide. Even more specifically, its relationship with Mexico, one of its biggest economic partners and southern-border neighbor, has changed as a consequence of the previously mentioned stands. American companies have withdrawn its investments or retired future projects, the exchange rate has undergone severe alterations, the trade balance in favor of Mexico has increased, and one the world’s most important trade agreements, the North American Free Trade Agreement (NAFTA), had to be renegotiated to comply with President Trump’s demands. This paper will focus on the repercussions that the US’ administration has had over the Mexican economy and the actions, in the matters of trade and commercial policies, Mexico has made to reduce its impact.

THE ORIGINS

The North American Free Trade Agreement (NAFTA) was signed in 1993 by the United States of America, Canada, and Mexico as a trilateral effort to promote international trade and ease logistical, financial, and political relationships between these countries. In its document preamble it states that one of its main intentions would be to “enhance the competitiveness of their firms in global markets” and “create an expanded and secure market for the goods and services produced in their territories” (1994). Moreover, the goal expanded up to the point of normalizing legal procedures upon commerce topics such as rules of origin, customs procedures, investment regulations, conflict resolution, and workers’ rights (1994). After its ratification in 1994, it was expected Mexico could uplift its economic performance to the level of developed economies such as the United States and Canada (McBride & Sergie,

2018). The agreement would also become one of the few that covered labor and environmental issues (as side agreements) as part of the commerce activities (McBride & Sergie, 2018). However, authors Maxwell A. Cameron and Brian W. Tomlin described in their book, “The Making of NAFTA: How the Deal was Done”, that conditions back at the time were favorable in terms of bargaining power capability for sides such as the United States and Mexico to agree upon a treaty; meaning that economic interests were above all demands of cooperation to happen (2000). This of course, would set major expectations that would be fulfilled in the short-to-medium term, yet have failed to keep up to what was ought to represent a major change for the dates we are currently in. Unfortunately, these failed expectations of the original treaty, at the beginning of 2017, would lead to a renegotiation of which there is no certainty today of its effects in the long term.

Great results were given due to the participation of Canada, Mexico, and the United States in the first stages of implementation of the treaty, having quadrupled the economic activity from nearly \$290 billion USD to \$1.1 trillion USD from 1993 to 2016, as well as made foreign investment levels eight times higher upon the same period of time (from \$15 billion USD to more than \$100 billion USD) (McBride & Sergie, 2018). In the case of Mexico, after going through a tough economic time in the early 90’s and having had passed a new law on foreign investment regulations, NAFTA was to represent the grand opportunity to open its economic model to the global markets and show new opportunities for businesses to enter the nation (Cypher, 2011). Mexico had also gained a doubling in their exports during the first four years of the treaty, having 86.19% of them being sent to NAFTA nations (Avedaño & Acosta, 2009) and represent more than four times the percentage covering its GDP from 1993 to 2003 (Mendoza, 2015). Even so, important to highlight that according to the Mexican Entrepreneurial Council on Foreign Trade, Investment, and Technology, NAFTA has turned out to represent 15% of the total trade activity worldwide, 28% of the global Gross Domestic Product, and 14% of the direct foreign investment flow internationally speaking (Nava, 2017).

Nevertheless, as much as a benefit for the three nations conforming NAFTA, the treaty has brought despair and indifference amongst critics. While it has been shown that in Mexico the manufacturing goods exports has declined rather than improve (Mendoza, 2015), in the case of the United States much more complicated issues have happened. For example, the trade balance with Mexico has skyrocketed from a \$1.7 billion USD surplus, prior to the NAFTA signing, to a \$53.41 billion-dollar deficit, according to Jorge Eduardo Mendoza (2015). Moreover, because of the globalization trend of outsourcing and the establishment of more localization economies, many manufacturing and service companies transferred their operations out of the country (many into Mexico), causing losses for up to 600,000 jobs in the U.S. (McBride & Sergie, 2018). Additionally, a trend in the early 2000’s started to set, where low-cost labor was beginning to be highly requested from China, thus leaving more “skilled” manufacturing labor to Mexican workers (contrary to the initial intention of the treaty of potentializing more and different industries within the region, not just manufacturing) (Ahmed & Malkin, 2017). These factors would end up causing an upset for the United States’ administrations, and although attempts were made to support local industries to increase their competitiveness, Mexico has still not been able to keep up with the rapidly-growing, industry-diverse economic model it was supposed to have for NAFTA to be highly effective.

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LATIN AMERICAN LABOR FORCE: WHY IT MATTERS IN TRADE

Ever since his campaign, then businessman, Donald Trump, had the intention to pose a new face for the Republican Party and its economic agenda. Unlike past administrations, his rhetoric focused in the protection of the local economy and workers' rights in the United States. Most of this rhetoric focused, at first, in terms of immigration policies, however, these formalized into more delicate issues such as threatening American companies to withdraw operations and investments abroad, the construction of a border wall, and mass deportations. The latter would represent a direct threat for the Latino population living in the United States, as well as a message to repel any "symbiotic" relationship especially with its Mexican neighbors.

Considering the Latino population to cover 18.1% of the total population in the United States, as well as the relevant cipher of 4% of the population in the country to be undocumented (EFE, 2018), it is no surprise why this rhetoric would affect the American economy as well. According to the U.S. Bureau of Labor Statistics, by 2016 Latinos represented 16.8% of the labor force of the United States (2017), being as much as 5% belonging to undocumented immigrants only (Dudley, 2018). While these are official statistics, it is widely known that informal labor in the United States is one of the main income sources of undocumented workers, being as hired farmers (53%), construction (15%), production (9%), services (9%), transportation (6%) where most work at according to the Pew Research Center (Dudley, 2018).

According to study conducted by the Center for North American Studies of Texas A&M University (2015), immigrant labor force is so important that in industries such as farming, product prices like the ones for milk depend on it. The study indicates that as much as cutting in half the immigrant labor force would decrease production in 11.7% and thus increase by 45.2% of the retail price of milk (Adcock, Anderson & Rosson, 2015). Removing all immigrant labor force would double these numbers. This also affects in fruit and vegetable production, where studies indicate that heavy immigration enforcement could plummet the production by \$60 billion dollars in the next five years (American Farm Bureau Federation, 2014).

Furthermore, a study conducted by the Institute on Taxation & Economic Policy in 2016 showed that undocumented immigrants make up for 8.6% of the nationwide effective state and local tax rate, with contributions up to \$11.64 billion USD each year (2016). According to an article written by the associate professor of economics at Drake University, Sean Severe, in the financial magazine *Fortune*, if undocumented families were to be fully deported, spending revenues would decrease as information has shown most of them use their incomes on buying goods, provide their homes, energy, health, and entertainment (2017). A decrease on both, undocumented families and their spending revenues, would represent a hit on the American economy. This would happen as the cash flow, both in the market and as part of the tax revenues, could become affected and thus, the financial capability of the average American family as well.

President Trump's stand on undocumented workers relies in the argument that these are taking jobs that American citizens could have and thus directly impact the local economy. Nevertheless, within the economic ambit, it is important to consider the labor force as part of the evaluation of trade policies, as many as 27.6% of the industries that contribute to the US'

exports are immigrant-dominated (OEC, 2017). As the world's 2nd largest exporter, according to the Observatory of Economic Complexity (2017), the United States has lots to lose rather than win in terms of trading if the internal economics scheme is changed because of immigration policies. Moreover, its political repercussions that could cause friction amongst the nations where these immigrants come from (considering that according to the Pew Research Center, 26.5% of immigrants come from Mexico, followed by 6.2% from China, 5.6% from India, 4.4% from The Philippines, and 3.1% from El Salvador [Lopez, Bialik & Radford, 2016]) can affect its economic performance as well, acknowledging the heavy dependence on worldwide importation (\$791 billion trade deficit) and, at least in the case of Mexico, conflicting with its second biggest trade partner (OEC, 2017).

UNDERSTANDING TRUMPIAN TRADE & POLITICS: A NATIONAL & GLOBAL RIPPLE EFFECT

As scandalous it may seem, trade policies in the Trump administration are reasoned upon fair points and clear arguments. Despite so, the president's rhetoric and even more, the how his administration has dealt with diplomatic relations has turned the world's attention into viewing his policies as part of a "global protectionism". The latter referring to a coined term for a philosophy where nationalist or protectionist measures are taken in a free market and globalized economy (Meunier, 1999).

An article by Dr. Karla Maria Nava Aguirre, member of the National Research System in Mexico and Professor of International Business at Universidad de Monterrey in Mexico, points out that recent political trends have shown nations that regularly were in favor of commercial liberalism, to now close into a protectionist outlook defending national interest (2017). Even so, these repercussions can be seen with events across the world such as Brexit, new economic policies in France, the rise of populist powers in Italy, Venezuela, the Philippines, and Eastern Europe, or more evidently, in the case of United States, with its withdrawal of the Trans-Pacific Partnership and the urge of the NAFTA and Korea-United States Free Trade Agreement (KORUS) renegotiations (Bey, 2018). In an era where market economies are on the rise and the necessity to adapt to global trends is crucial to economic survival, it seems the collapse of the multilateral dependency and its results have turned some politicians to believe economic independence to be best solution. Nevertheless, as much as this viewpoint prevails in policies, such as those of President Trump's, it seems that factors like technology, the internationalization of companies, the increasing pressure of the market demands, and the modernization of communication sources will keep pushing towards embracing the phenomenon of globalization.

A document from the Office of the United States Trade Representative (USTR), called the "President's Trade Policy Agenda", states the basis of which President Trump's philosophy is originated. This philosophy is argued under five pillars as premises: "Supporting Our National Security", "Strengthening the U.S. Economy", "Negotiating Better Trade Deals", "Aggressive Enforcement of U.S. Trade Laws", and "Reforming the Multilateral Trading System" (2018). Overall, the document exposes how the United States has failed to "maintain popular support at home, while promoting more efficient markets around the world" as it has "passively adhere to outdated and underperforming trade deals and allowed international bureaucracies to undermine U.S. interests" (USTR, 2018). Interestingly enough, the "President's Trade Policy Agenda" document also accuses the

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World Trade Organization (WTO) to promote unfair and protectionist policies, and it goes on to expand on how President Trump's agenda would make the efforts to brake these protectionist measures, especially in the agricultural sector (USTR, 2018). Moreover, it includes a list where it details why would the agenda cover with the most important issues caring for the nation's interest including: preserving a national sovereignty in the world economies environment, responding to competitor countries with an exemplary economic model, reducing business taxes to spur competitive local companies, updating current trade deals to improve the trade balance, protecting their national trade rights and intellectual property, as well as open some of their industries (like the agricultural sector) to more developed and market-fair opportunities abroad. Nevertheless, all these arguments proposed on the document have been seen negatively by the international community, especially pointing them out as protectionist and anti-globalization, words that were not generally associated with the United States before.

Repercussions in this viewpoint have already made a negative impact in the Trump administration, as foreign direct investment in the U.S. has decreased evidently in the last year, highlighting the important cipher of 45% less than when Barack Obama became President of the United States (Federal Reserve Bank of St. Louis). Although the macroeconomic effects may not be seen in the short run, this repercussion may indicate the low trust placed in foreign greenfield investments, as well as the slowdown of the current economic activity of international companies located in the U.S. In the long term, as the globalization phenomenon keeps growing and strengthening, emerging and globally-open economies will take those foreign direct investments and position themselves in the market rather than the United States.

For a current United States, a world power and economic pillar, one of the main challenges it has to face is maintaining its power and autonomy over the global environment it deals with every day. This is one the main motivations behind President Trump's agenda on trading, as he feels the nation has ceded its economic independence to become the support of many developing nations, as well as the source of global revenue derived from tools such as outsourcing, foreign investment, and the internationalization that both American companies have established in foreign countries and viceversa. If considering it thoroughly, we notice a slight mercantilist viewpoint in his politics, where he favors governmental intervention in the economic activity with a defense based upon a mercantilist philosophy of the necessity of a positive trade balance¹ and Friedrich List's infant industry argument² applied into the spur of growing American industries. However, after changing its economic model to an open market economy post-World War II, trends pointed out that the United States' geopolitical and commercial policies had made them become the power we know today. The contradiction between American history and what President Trump believes should be the strengthening force of a nation's economy, has resulted into what we understand now is the source of inspiration of a confusing and unclear protectionist trade policy of the United States. If considering Trump's immigration stand, combined to his belief on economic policies, we could infer that for countries like Mexico, its trade agenda would do nothing but negatively affect all commercial and industrial activity, thus, having serious repercussions in the nation's economy.

Viewing the latter from a global perspective, we certainly detect market alterations generated because of President Trump's measures. For example, in March 2018, his

administration imposed a 25% tariff in a thousand Chinese products, affecting \$46.2 billion USD worth of imports. This was followed by a Chinese response on a 106-product 25% tariff increase to American products (Chen & Lawder, 2018). Since then, an accumulated increase of tariffs worth \$110 billion dollars from China, plus a \$200+ billion-dollar worth of tariffs from the United States, have led to a trade war (Chen & Lawder, 2018). Even worse, a 30% tariff increase on solar panels (of which China is the major manufacturer worldwide) would also add up to the tension built between these two nations, as it would reignite the upset of the global environmental community after the U.S. withdrawal of the Paris Agreement (Eckhouse, Natter & Martin, 2018). These tariffs unfortunately have negative effects not only in American companies, but worldwide, as many of the products include raw materials and agricultural products that are sold abroad. This would lead to increasing prices and reducing the demand of the raw materials and agricultural products in the global market (Biesheuvel, 2018). For the U.S. economy, these tariffs alone would rebound on American families, having an increase cost of \$127 dollar, per family, to their goods (Blumberg, 2018).

Another case that has affected the economic environment worldwide has been the imposition of tariffs on steel and aluminum. On March 2018, President Trump announced he would impose a 25% tariff on steel and 10% tariff in aluminum to all nations alleging a national security protection based on the Trade Expansion Act of 1962 (The Economist, 2018). Because of this, major allies such as Canada, Mexico, and the European Union retaliated the decision with tariffs of their own, which would affect the global economy as well. In the case of Canada, the nation imposed a \$12.6 billion USD-worth tariff policy to 229 products knowingly that the U.S. was its major aluminum provider (Wolfe, 2018). India would also come to retaliate with tariffs worth \$241 million USD on 30 products, due to its disapproval to the policy (Iyengar, 2018). For strong economic blocs like the European Union, there was no exception, as not only did they imposed a \$3 billion USD worth tariff increase in 180 products, but also challenged the United States in the World Trade Organization (Peker, 2018) arguing illegal procedures that were affecting approximately \$7.5 billion USD worth of European products (Van Sant, 2018).

On the other hand, countries like Australia (Stewart & Riordan, 2018), Brazil (Máximo, 2018), Argentina (Bianchi, 2018), and South Korea (Jin & Lee, 2018) were exempted from these tariffs under the premise further economic deals would be made in the future. However, in cases such as South Korea, with whom the United States seeks to renegotiate its free trade agreement the same way President Trump has spoken about NAFTA, the exemption came along an export restriction, or quota, worth 2.68 million tons of steel exportations (Jin & Lee, 2018). In cases such as Brazil, the quota imposition was even heavier, as a 100% worth the exportation value between 2015-2017 was imposed to their steel products (Máximo, 2018.) This decision would be interpreted not as a mere forgiveness of the steel tariff to these nations, but as a rethink on the way it would be presented to them.

In the case of Turkey, not only there was an economic impact in the trade balance between the nations, but a serious financial damage that had the national currency, the Turkish Lira, fall 40% its worth against the dollar (Fowler, 2018). According to an article written by Michael Collins of USA Today, Turkish President, Recep Tayyip Erdogan, had imposed as a response tariffs on two dozen products, some being as high as to a 140% tariff in alcohol and 120% in passenger vehicles (2018). This in return would not only affect Turkey economically, but also nations like Australia, where heavy investments from Australian

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companies in Turkey would threat their financial stability and thus reflect in a fall of the Australian dollar against the U.S. dollar (Fowler, 2018).

Not only has the steel and aluminum tariffs case has impacted major emerging nations, but also small economies, such as the case of Rwanda, African nation where the Trump Administration has generated a trade conflict as well. In this situation, the United States had cancelled the tariff-free importation of clothing from Rwanda, which was part of the African Growth and Opportunity Act program where 6500 products from Africa were imported without taxation in order to foment small economies) (AFP, 2018). This program also aimed for the United States to export used clothing, which to Rwanda's inconformity, they decided to reject as they wanted to protect their developing textile industry if the deal was closed (AFP, 2018). While this dispute would affect more the United States, as it represents a \$124 billion-dollar worth of exportations and 40,000 jobs as a cost, repercussions would still hit the African nation as well as manufacturing jobs for American clothing lines would also shut as retaliatory measures (AFP, 2018).

Unfortunately, affectations because of these tariffs would not just affect foreign economies, but also American families. A study done the international commerce consulting firm, The Trade Partnership Worldwide, indicates that because of the market demand alterations that such tariffs would pose to price increases and retaliatory measures from trading partners, the effect could be such that up to 146,000 jobs could be lost in the United States (Francois & Baughman, 2018). Likewise, industries that heavily rely in the prices of these metals, such as aerospace & automobile industries (two of the most important for the country) would be negatively impacted because of the rising prices, and even worse, destabilizing market shares in Wall Street to a 3% fall because of the uncertainty of their financial performance with the imposition of these policies (Irwin, 2018). The latter affectation relates as well to a decline in the steel demand from the United States, as the increasing prices will repel foreign markets to buy the product from them (McBride, 2018).

As seen, President Trump's trade policies are focused to the goal of reducing the trade balance the country has with the world, nevertheless has ignored many factors within the macroeconomic scope that has turned not only to affect global markets, but his own as well. This outlook generated through tools like tariffs and quotas has fomented a trade war that leads nowhere but to generate a "ping pong effect" where nations (United States and others) to clash back and forth in a strive to show power with the excuse of protecting their own interests. Unfortunately, this has not only shown to alter the global markets, but also ruptured diplomatic relations and shifted the way economic interactions are seen in a world where globalization is inherent and continuously evolving for our society. For nations like Mexico, though, the situation has complicated its already troubling history on economic development, yet now has forced to make its economic seek new opportunities from which none seem to be as potent as the one it has built with the United States so far. Thereby, it is important to evaluate how in this recently exposed issue has a nation that, ever since Trump's campaign rhetoric, has had financial repercussions, not excluding the fact is now in the verge of an uncertain political and economic restructuring.

MEXICO

The Mexican peso's performance in the foreign exchange market (Forex) had been in constant fluctuation since Donald Trump's campaign started to strengthen after the 2016 Republican National Convention. His campaign promises and aggressive rhetoric against Mexicans, and the entire Latino population, had placed global markets on alert in terms of their current and future investments in Mexico, thus creating a Forex volatility effect common in times of uncertainty when new governments are likely to be established (Lioudis, 2018). A generalized fear for Trump's threats on imposing taxes to American companies operating abroad and import tariffs to protect local industries had discouraged the Mexican economy. On November 8th, 2016, just as the results of the U.S. election were announced, the Mexican Peso devaluated with a value over two pesos above what the day started and reaching a historical cipher of 20.74 pesos (Paullier, 2016). By the end of the year, the situation had not changed much, and the peso ended up in an exchange rate of 20.90 MXN per dollar, reaching at some point an all-time 21 pesos per dollar. This had represented a devaluation of 16.12% in comparison to what the Mexican Peso had ended the previous year (17.53 pesos per dollar in 2015) (Redaccion Gestion, 2016). Meaning that from the last months of Trump's campaign to the election, the Mexican Peso had devaluated 22% of its initial value. Nowadays the exchange rate has oscillated between the 19-and-20-pesos ratio, reaching a low point of 20.19 MXN on October 31 (Vázquez, 2018).

As for trading, Mexico and the United States had usually maintained a respectful relationship due to its partnership in the North American Free Trade Agreement (NAFTA), however, ever since Donald Trump competed for the Republican Party nomination, his speech would include a tone of distancing and retaliation against the Mexican economy. This would, at first, move the market shares of Mexican companies in the international stocks, but also of the foreign enterprises that were investing in the country. Aside from the controversy originated by immigration policies, one of the most impacting events for the Mexico-US economic relationship came when the steel and aluminum tariffs were imposed by the Trump administration. Because of these measures, an abate of 43% in the exports value during the month of June ended up affecting an export volume of 130,000 tons of steel (Redaccion Ejeccentral, 2018).

As retaliation, the Mexican government responded with a \$3 billion USD worth of tariffs in goods (Swanson & Tankersley, 2018) such as pork, steel, cheese, bourbon, cranberries, and other products (Secretaria de Gobernacion, 2018). As a matter of fact, both measures (tariffs imposed by each other) turned out to impact other industries to the point that, by the end of June 2018, more than 60 companies in the dairy sector asked President Trump to retract the tariffs arguing the retaliation from Mexico would hurt their product demand considerably and thus, affect the entire industry levels (EFE, 2018).

Because of the Trump administration's urge on a new trade deal with Mexico, the most important industries of the country have experienced months of uncertainty and instability. Starting out with the premise on why the North American Free Trade Agreement would have to be modified according to President Trump. In the document generated by the Office of the United States Trade Representative, it is argued that there are two main causes why the treaty is unfair for the U.S. The first dealing with the surplus that Mexico has over the United States in the trade balance being that the U.S. is a much stronger economy than the Mexican, thus, causing an outrage and a sense of irrationality in the President's mindset. The

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second being that the American government considers NAFTA to have been promoting outsourcing activities for companies to move operations to Mexico due to the lower wages they must pay (USTR, 2018). In this case, it is argued NAFTA was signed with the hope that income per capita and minimum wages would increase in Mexico due to the rise of competitiveness of the member nations in the world markets. This though, never happened, and the document highlights that contrary to the belief, annual wages in Mexico had decreased from \$16,008 to \$15,311 from 1994 to 2016 (USTR, 2018). As foreign companies had pinpointed Mexico as a favorable site for a localization economy, due to its cheap labor cost and qualified workforce, plus an economic decline caused by a rising inflationary rate and the currency devaluation, it would seem to explain the latter phenomenon. Nevertheless, as nowadays the understanding of the value chain represents a strategic tool for companies to internationalize, the United States has sought to focus in offering primary activities involving technology and differentiation strategies, yet it still prevails the preference for enterprises to save costs and opt for cost leadership schemes. Having labor as one of the key factors foreign countries consider when selecting internationalization opportunities, it has resulted convenient for Mexico that its wages may be even 20% lower per hour in specialized jobs. This phenomenon could be easily explained by the Heckscher-Ohlin model (which states countries would export based on the best use of their available resources)³ and supported by the fact that economic globalization, still in its starting stages, seeks integration through the cheapest and most effective resources that are available, being labor one of them indeed. Considering such argument, it is to highlight that NAFTA has provided with the opportunity of integrating a transnational supply chain by taking advantage of the most effective resources of each of its participant nations.

Moreover, NAFTA has provided Mexico with the opportunity to develop entire industries from barely scratch to worldwide powers through the deal, yet without representing true benefits for the country. This is the specific case of the textile industry, where due to the implementation of the NAFTA treaty, the Program for the Manufacturing Industry, Maquila Program, and Exportation Services, also known as IMMEX program (acronym in Spanish for the "Programa para la Industria Manufacturera, Maquiladora y de Servicios de Exportación"), has been able to spur the creation of new jobs and foment exportation activities from one country to the other (Mexico-USA). The IMMEX program is a commerce system where raw materials enter manufacturing plants (in Spanish called maquiladoras) through a temporary, tax-free importation, and through a limited allowed stay the product is built and returned to the origin country as a finished product. The IMMEX program had generated pillar industries in cities across the northern states of Mexico, allowing new logistics opportunities and cheap manufacturing to textile companies from around the world, especially those belonging to the denim industry. By 2004, the program had represented 1.5% of the national GDP (Gomez, 2004) and more than 20 years later it had grown to 3.3% (Ramirez, 2018). Just alone generating 57% of the country's exportations and giving 7 million jobs, the IMMEX program has become the pillar of the manufacturing model of Mexico (Tovar, 2018). Despite these numbers, as most of the companies are foreign-based, and products that manufactured are later returned to the United States, both the level of exportations cannot really be attributed to Mexico, nor it has brought much relevance to the stagnating GDP growth rate due to the nature of the system. Unfortunately, this ends up favoring other countries rather than Mexico itself, in its majority. Regardless what could be interpreted as a cheap way for American

companies to manufacture, and job opportunities for Mexican workers, this has not been significantly transcendental nor has met the expectations initially planned. While it has represented economic benefits to Mexico, such as the creation of jobs or new competitiveness development opportunities (Hernandez, Díaz, Rosales, Lope, Villarreal & Rodriguez, 2013), indicators such as a decrease in the annual income increase rate since Trump's inauguration (from a historic 9.3% to an 8.5% since June 2017) have caused upset even amongst Mexican manufacturers (Martínez, 2017). Because of this, President Trump has threatened to change manufacturing norms in NAFTA that could potentially harm the IMMEX program, specifically talking about what happens in the auto industry.

Although Mexico has not a national automotive brand, it is one of the major car producers worldwide, manufacturing up to 3.5 million units per year (Klier and Rubenstein, 2017) and generating a revenue of 8.2 billion dollars (PROMEXICO, 2016). With 19 light vehicle manufacturing units in 12 states of the country, it represents 3% of the national GDP (Dirección General de Industrias Pesadas y de Alta Tecnología, 2012). Since the entrance of the Ford Company in 1925, it has become an attractive destination for the auto industry due to the ease provided by the nation's industry-specific trade policies (Klier and Rubenstein, 2017). After NAFTA was signed, the tariff-free policies shaped the industry to become even more relevant because of its cheap specialized labor, legal flexibility, cheap terrain costs for plant construction, and the geographical advantages for logistical processes. These stimulated the growth and entrance of more automotive companies (even up to date like Korean firm, Kia) and the removal of all tariffs and quotas in the following 20 years after its ratification (Klier and Rubenstein, 2017). Nevertheless, being one of the most controversial topics within the NAFTA renegotiation, it would not be unexpected if the Trump administration had done something to protect its interest. Prior to the NAFTA renegotiations, Trump's threatening rhetoric on the imposition of tariffs and corporate taxes had already caused the cancellation of a \$1.6 billion-dollar investment for a new Ford manufacturing plant in the city of San Luis Potosí (Reuters, 2017). After this, the urge for a trilateral negotiation drove the governments and the private sector to deal on crucial topics before the Trump administration could continue with the damaging measures.

Being that the original NAFTA document called for a 62.5% of Regional Content Value within manufactured goods, this prompted, throughout the first twenty years, the creation of scale economies where Mexican entrepreneurs would have the chance to open small automotive part companies that complemented the supply chain. Nevertheless, changes done in the negotiation of, the now called, USMCA, would increase the country of origin components up to 75% (Bryan, 2018). This would represent a threat to small businesses in Mexico, as this could force them to cover a demand they still cannot cover and to which automotive companies would recur to American providers. Moreover, it calls for more specialized parts that are not produced locally and to which American companies could have the technology to manufacture. Also, the new USMCA would change salary protections, as it would now require an increase of 45% of the automobile to be produced by workers paid \$16 dollars the hour or more (Kirby, 2018). This would imply that Mexican manufacturing plants increase the current 2.3 dollar per hour salary (Martínez, 2018) to almost eight times the number. This could favor the United States as well, as Mexican jobs would be in risk because of the inability of manufacturing plants to catch up with the high salary, of which the United States is capable of covering for their workers. Moreover, a restriction in the Mexican exportation of auto parts, worth \$108 billion USD, would be imposed (Bryan, 2018), thus

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restricting the Mexican Regional Content Value in the manufacturing of automobiles due to the limited amount of parts coming from the country.

These measures would not be the only ones that a new free trade agreement would cover because of the Trump's administration. The new USMCA has called for a temporary-like lifespan of the treaty, unlike the original intention of NAFTA document. A 16-year duration, plus a 6-year term for revision (Bryan, 2018), of the treaty could be interpreted as a reluctant gesture of President Trump to the deal he has continuously criticized. Additionally, the unilateral opening of new commercial opportunities for American industries in Canadian and Mexican markets, has called the attention for the true economic intentions of the renegotiations. Nevertheless, as Mexico has sought commercial opportunities as a prevention measure, it could still be inferred that this is a long way to go. Its willingness to ratify the Trans-Pacific Partnership without the United States, intensifying its foreign investment attraction governmental dependency, and by retaliating U.S. government tariffs, Mexico shows its commitment to survive a tough economic scenario. Furthermore, its approval of the changes made for the new USMCA treaty reflect a posture from the Mexican government, and its industries (especially the auto industry), to comply for the nation's own benefit and progress as an opportunity area (Gonzalez, 2018).

CONCLUSIONS

As we live in a globalized society, the relevance of understanding the interdependence between nations becomes crucial for the comprehension of current economic environment. While the trend follows a world where open markets and the liberalization of trading becomes part of the efforts of global progress, there are still political outlooks that criticize this viewpoint defending national sovereignty and workers' rights. This is the case of the current administration of President Donald Trump, which has in control the most powerful and influential economy worldwide. Over the last two years, his rhetoric has caused a fear sensation companies and the foreign markets have resented and acted upon. For countries who take the direct blame, like Mexico, repercussions have not been easy to take. With industries such as the steel, automobile, and textile being endangered by tariff, quota impositions, and other restrictions the Mexican government has had no option but to retaliate and seek for alternative opportunities. In the emergence of newcomers in the economic scope, Mexico has had to act to keep financial stability and still be a plausible option for foreign markets to invest and partner with. Nevertheless, a still ongoing and persistent negative rhetoric by the Trump administration has altered future plans in Mexico, as well as damaged its industries, and affected the exchange rate to all-time ciphers. While President Trump may have fair points to defend his actions, those, such as the renegotiation of the NAFTA treaty, have become source of uncertainty and upset in the national workforce. Economists, entrepreneurs, and workers have been starting to resent the effects of policies that allegedly would only benefit the United States, yet, would turn out to affect local U.S. families as well after all. The effect of the Trump agenda in a global economy could then be summarized into a phrase: a path to the unknown. While his posture is clear, it is not certain what the next steps would be, as emerging countries seem to prepare for difficult times and developed countries seek to partner against the protectionist policies of President Donald Trump. At the end, global factors such as politics, finances, and internal affairs are those who shape every

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country's response to "Trumpian" politics. As a globalized society, the present challenges, and the ones to come in the future, will be posed as President Trump keeps proposing new ways to isolate the American economy out of the interdependent world we live in.

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NOTES

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¹ Mercantilism refers to an 18th Century trade model that stated that a positive trade balance (more exportations than importations) maximized a country's national economic strength (Reynolds, 2000).

² Theory that argues that emerging industries must be protected from international competition in order to become developed and competitive within the global markets (Melitz, 2005).

³ Theory which states that countries will trade based on the full specialization of goods that provide them with the best earnings considering their available resources (Wood, 2009).

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