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Economic Impacts of Border Closures with Mexico

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Outline

- The Problem
- Our Approach to the Problem
 - Two Types of Disruption
 - Two Time Periods
 - Accounting for *Maquiladoras*
- Insights and Abstractions

What Does US-MX Trade Look Like?

NAICS	Description	Imports from Mexico			Exports to Mexico		
		Total Imports	Pct Maq.	Maq.-related Imports	Total Exports	Pct Maq.	Maq.-related Exports
111	Crop Production	\$5,388,669,046		\$0	\$5,585,001,830		\$0
112	Animal Production	\$390,520,002		\$0	\$124,081,066		\$0
113	Forestry and Logging	\$52,875,306		\$0	\$48,059,678		\$0
114	Fishing, Hunting and Trapping	\$443,651,848		\$0	\$32,811,618		\$0
211	Oil and Gas Extraction	\$22,333,388,445		\$0	\$891,656,592		\$0
212	Mining (except Oil and Gas)	\$208,609,626		\$0	\$529,517,977		\$0
311	Food	\$3,872,821,765	100%	\$3,800,000,000	\$6,855,311,741	100%	\$6,800,000,000
312	Beverage & Tobacco Products	\$2,281,739,482	100%	\$2,200,000,000	\$467,415,329	100%	\$400,000,000
313	Textile Mills	\$763,591,764		\$0	\$2,117,421,511		\$0
314	Textile Product Mills	\$505,046,017	100%	\$500,000,000	\$311,250,629	100%	\$300,000,000
315	Apparel	\$3,514,334,435	100%	\$3,500,000,000	\$691,198,502	100%	\$600,000,000
316	Leather & Allied Products	\$2,314,102,491		\$0	\$617,666,350		\$0
321	Wood Products	\$181,040,739	50%	\$100,000,000	\$477,634,170	80%	\$400,000,000
322	Paper Manufacturing	\$768,145,543		\$0	\$3,769,069,298		\$0
323	Printing & Related Activities	\$355,440,353		\$0	\$479,300,573		\$0
324	Petroleum & Coal Products	\$2,937,612,553		\$0	\$6,574,111,172		\$0
325	Chemicals	\$3,093,634,133		\$0	\$15,188,225,290		\$0

⁵ U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, "North American Transborder Freight Data," accessed at http://www.bts.gov/programs/international/transborder/TBDR_QuickSearch.html on November 5, 2010.

What Does US-MX Trade Look Like? (cont.)

NAICS	Description	Imports from Mexico			Exports to Mexico		
		Total Imports	Pct Maq.	Maq.-related Imports	Total Exports	Pct Maq.	Maq.-related Exports
326	Plastics and Rubber Products	\$2,216,261,632		\$0	\$5,390,516,383		\$0
327	Nonmetallic Mineral Products	\$1,818,703,805		\$0	\$1,201,161,857		\$0
331	Primary Metals	\$6,584,295,618		\$0	\$5,483,128,799		\$0
332	Fabricated Metal Products	\$4,536,179,342		\$0	\$4,960,933,566		\$0
333	Machinery	\$14,149,326,363	100%	\$14,100,000,000	\$16,380,848,212	100%	\$16,300,000,000
334	Computer & Electronic Products	\$42,005,762,385	100%	\$42,000,000,000	\$24,718,378,021	100%	\$24,700,000,000
335	Electrical Equipment, Appliances, Components	\$12,831,113,023	100%	\$12,800,000,000	\$5,849,108,698	100%	\$5,800,000,000
336	Transportation Equipment	\$28,856,342,739	100%	\$28,800,000,000	\$8,923,698,581	100%	\$8,900,000,000
337	Furniture and Related Product	\$983,283,402	100%	\$900,000,000	\$338,640,291	100%	\$300,000,000
339	Miscellaneous	\$6,003,696,876	100%	\$6,000,000,000	\$4,732,168,026	100%	\$4,700,000,000
910	Waste and Scrap	\$511,503,590		\$0	\$620,234,012		\$0
920	Used Merchandise	\$27,075,009		\$0	\$96,621,241		\$0
980	Goods for Return to Canada	\$4,199,378,588		\$0	\$0		\$0
990	Special Classification Provisions	\$2,526,226,661		\$0	\$77,851,279		\$0
	Totals	\$176,654,372,581	65%	\$114,700,000,000	\$123,533,022,292	56%	\$69,200,000,000

* Pure exports are all non-*maquiladora* exports; pure imports are all non-*maquiladora* imports. "Maq.-related" imports and exports have been rounded for modeling purposes.

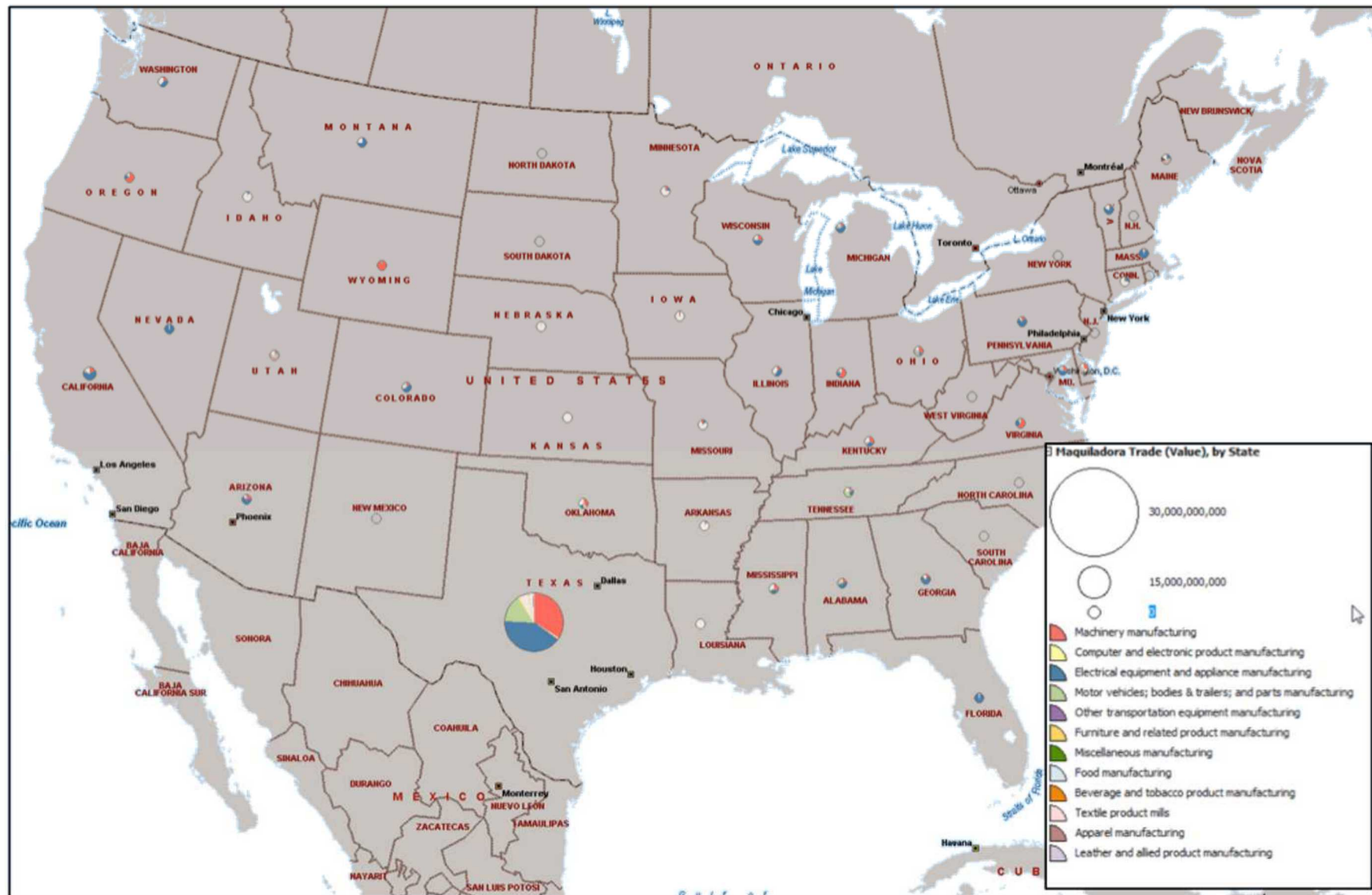
Non-Maquiladora Land-base U.S. Exports to Mexico



Non-Maquiladora Land-base U.S. Imports from Mexico



Land-base U.S. Exports to Maquiladoras



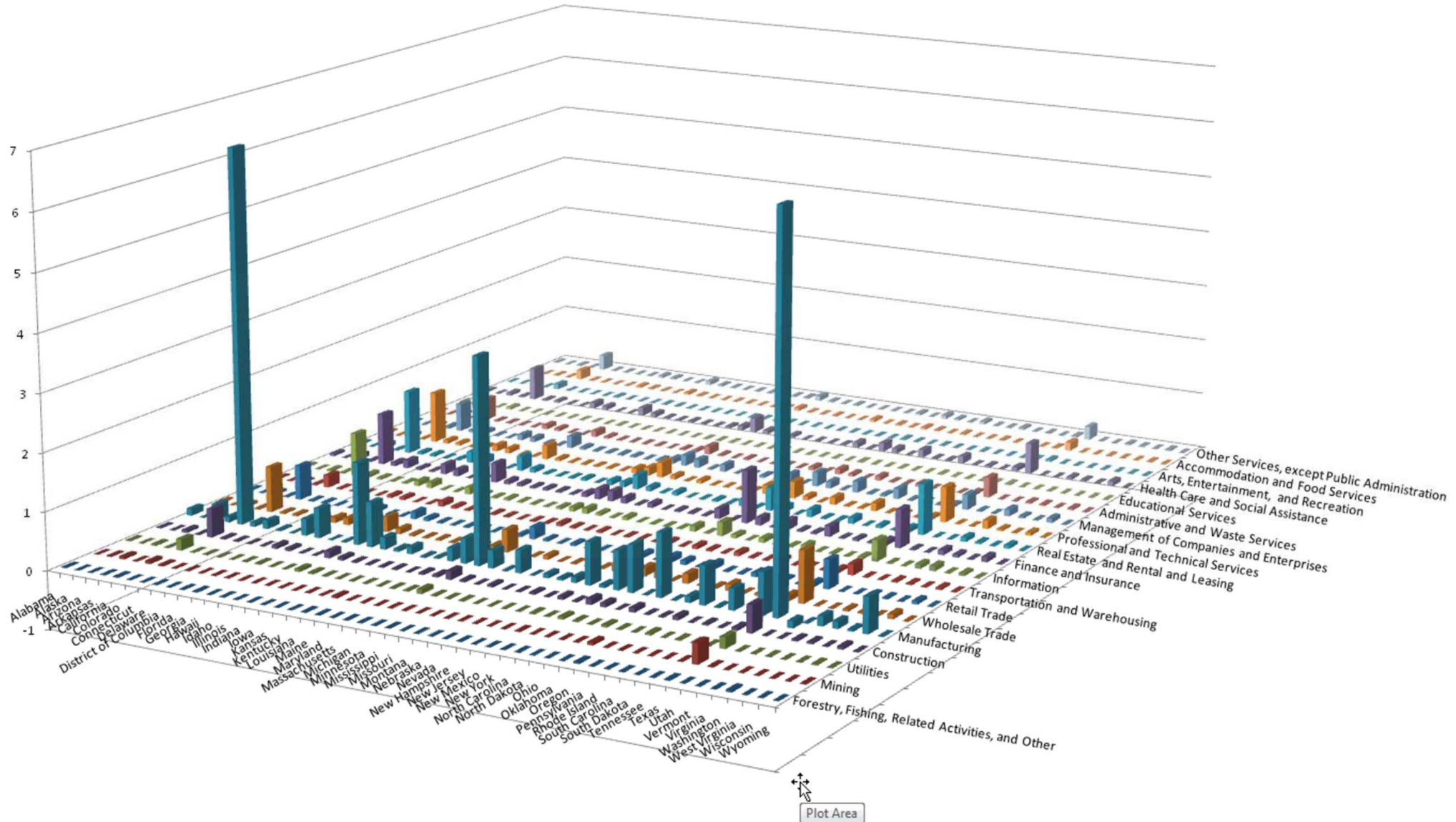
PRE-MODELING

- Did we cover all of the salient effects of border closures of these types and durations?
- What effects can we ignore?
- How elastic is the economy to this type of disruption, and are we capturing this elasticity?

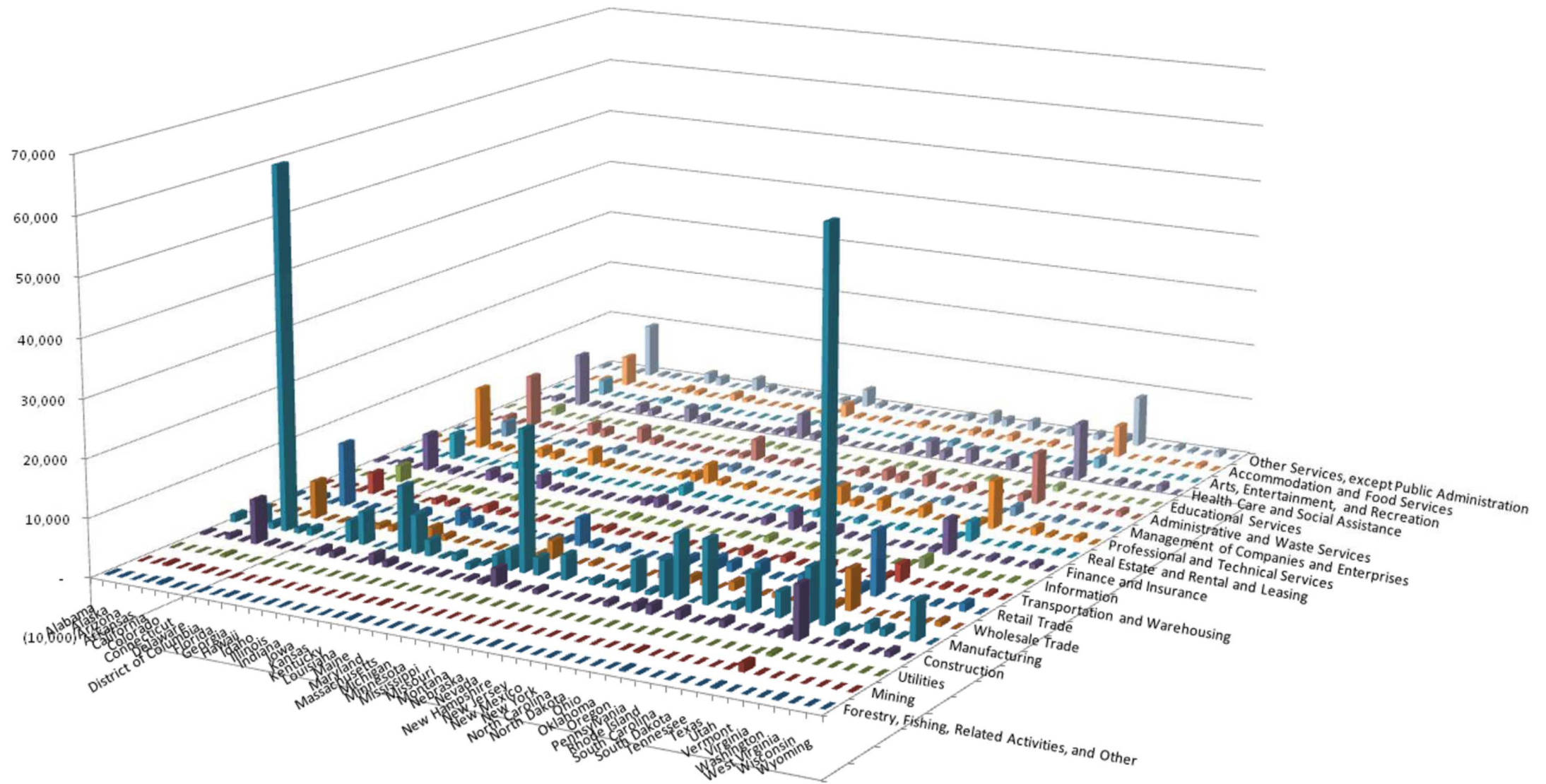
GDP Impacts (\$B) of Two-Week Freight Disruption



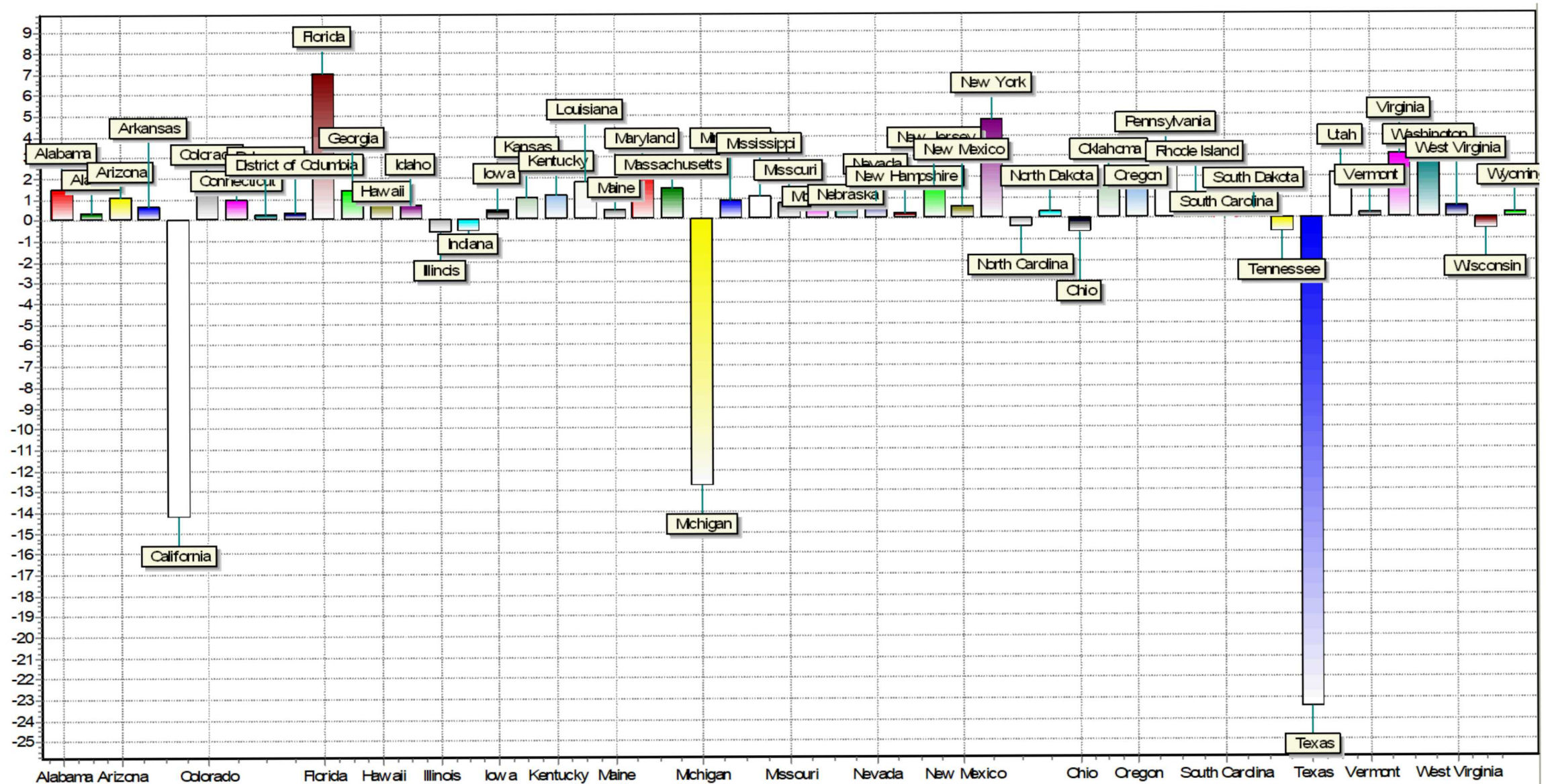
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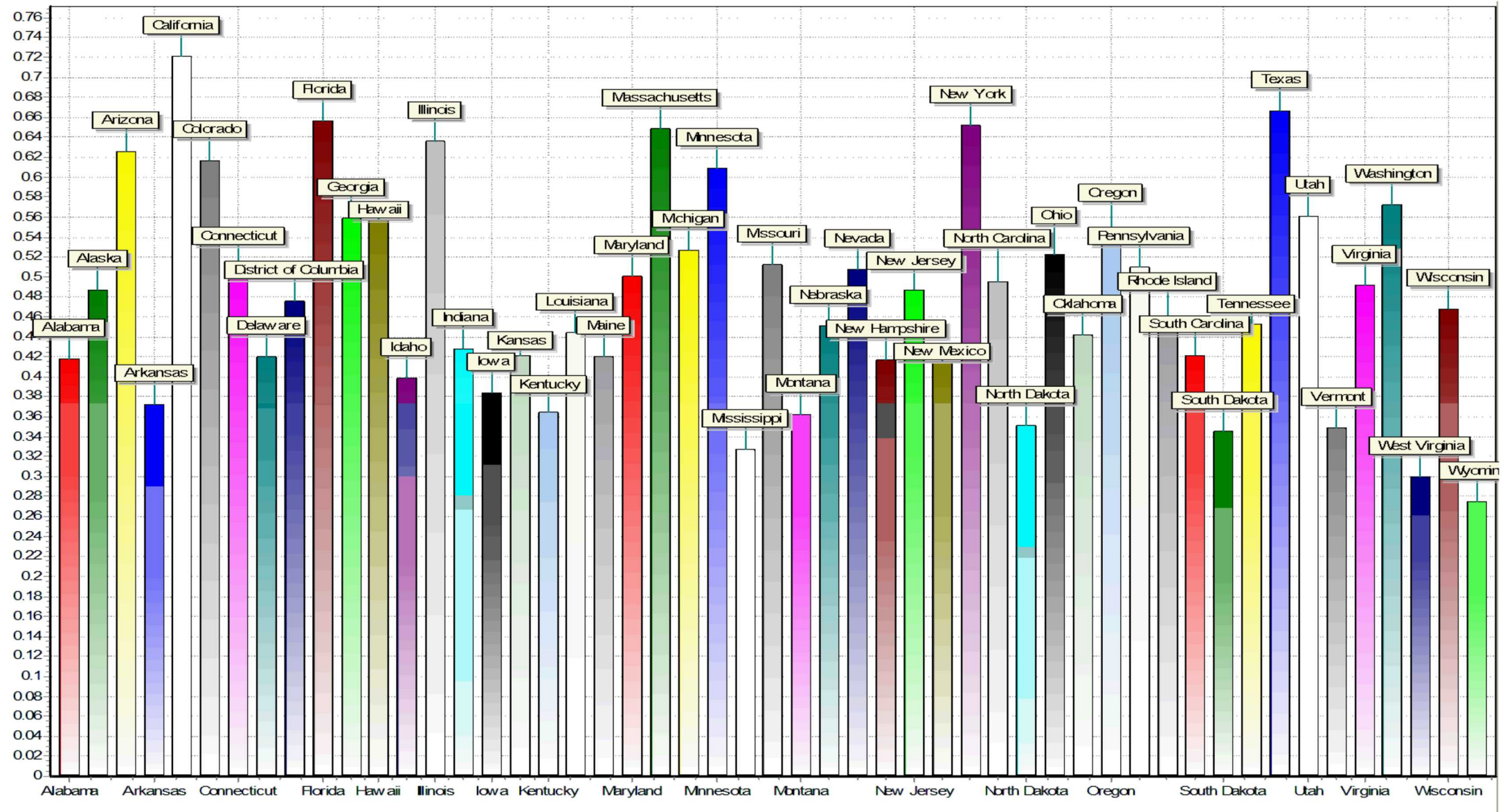
Employment Impacts (Jobs) of Six-Month Freight Disruption, by State and



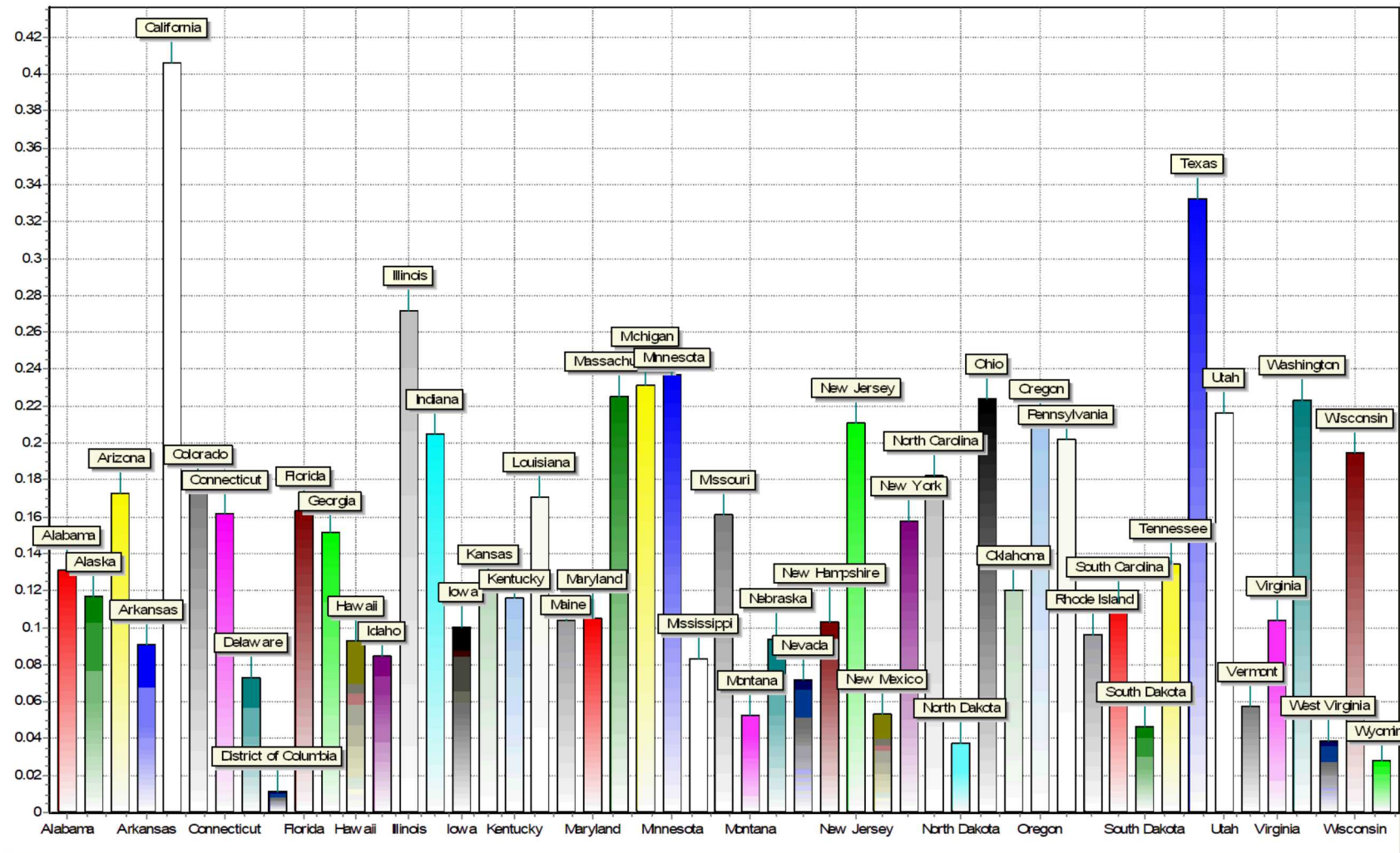
Economic Migration Impacts (1000s) of Six-Month Freight Disruption



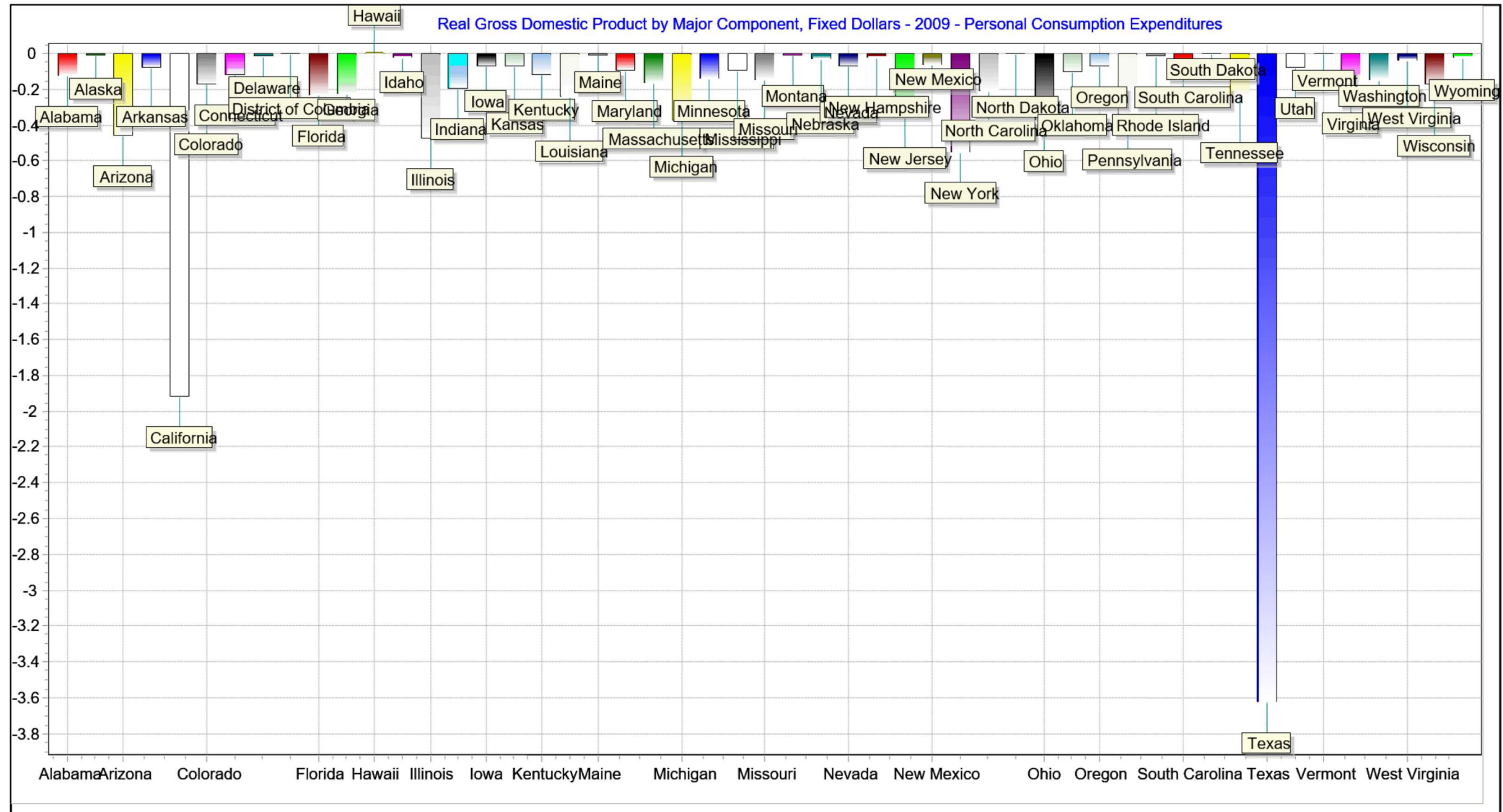
Regional Purchase Coefficient for all Industries, by State



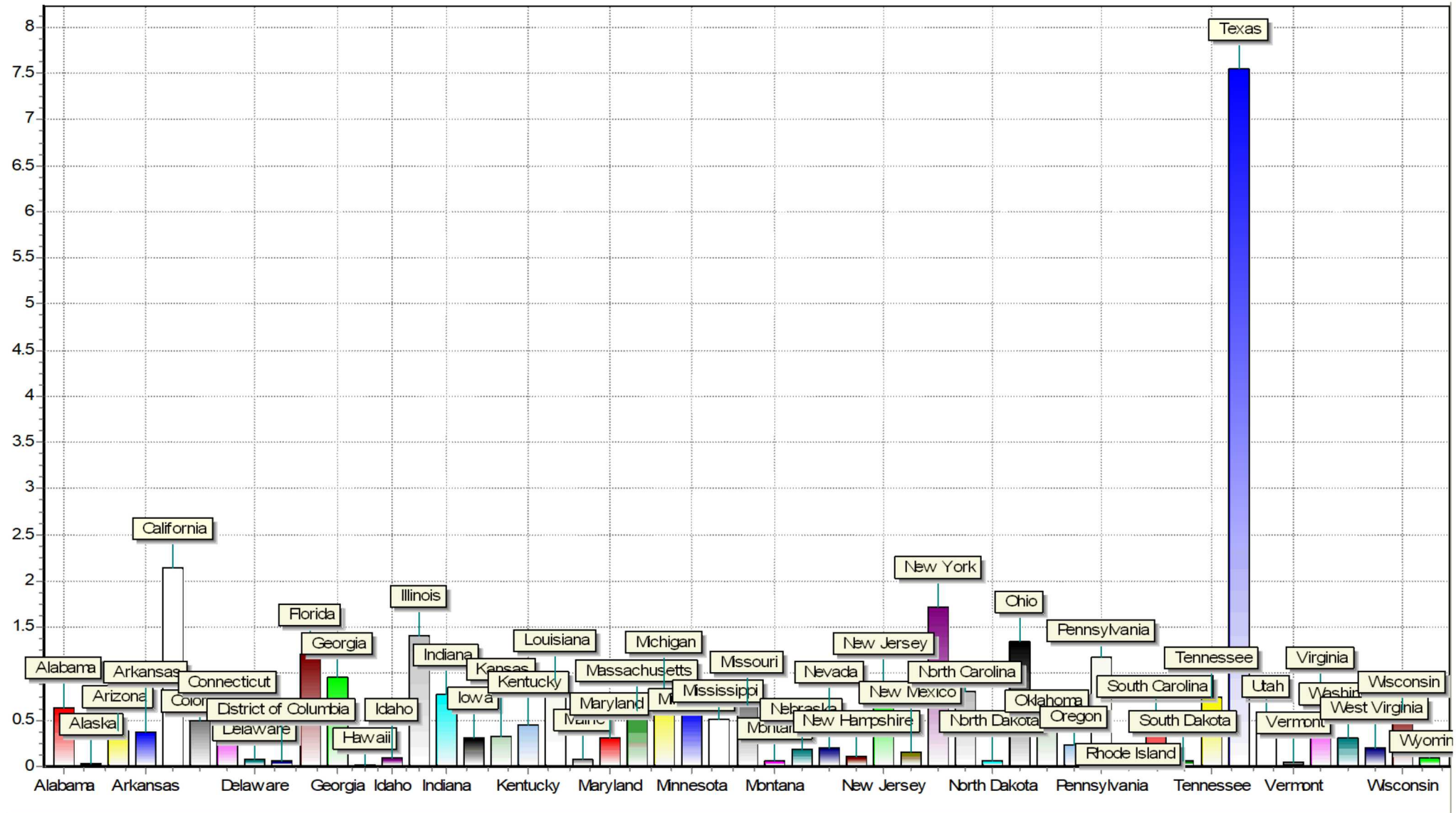
Regional Purchase Coefficients for Manufacturing Sector, by US State



GDP Impacts (\$B) of Lost Exports, by U.S. State



GDP Impacts (\$B) of Lost Imports, by U.S. State



GDP Impacts (\$B) of Lost Maquiladora Trade, by US state



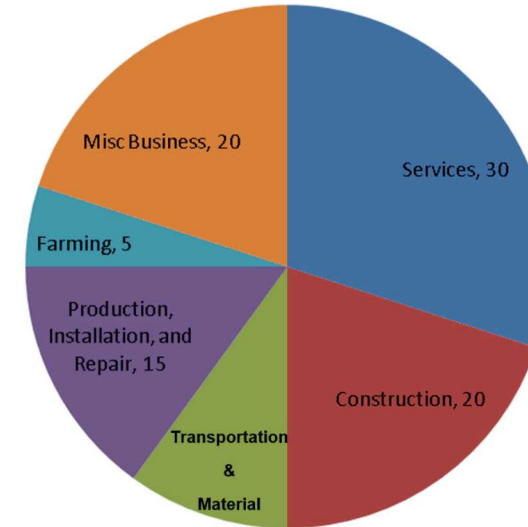
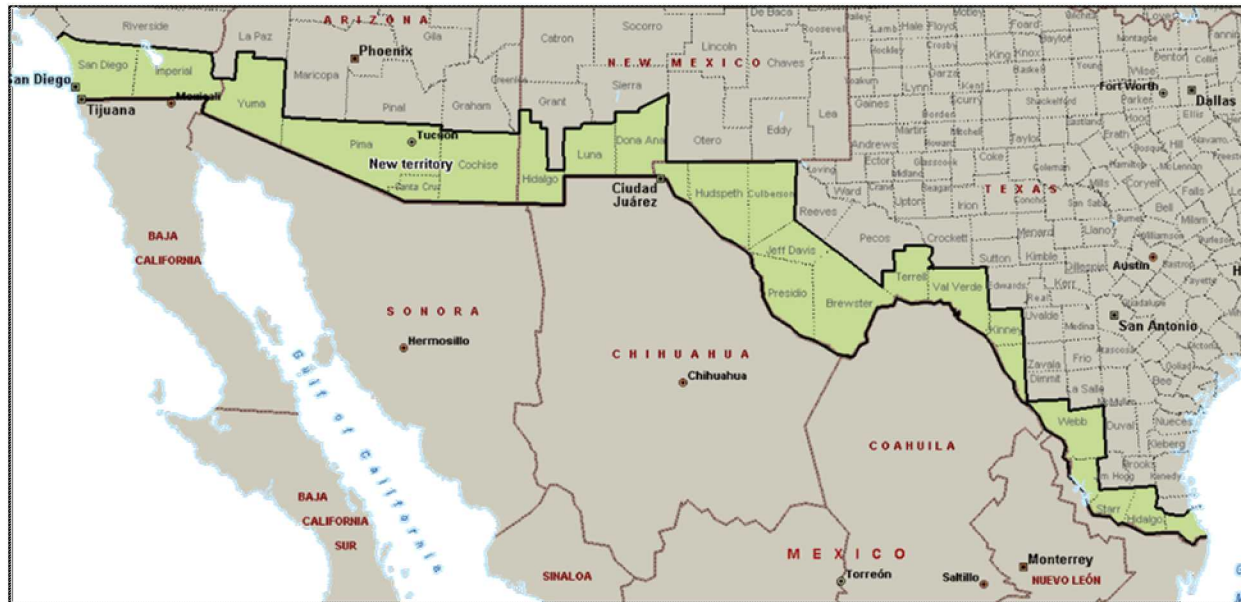


Figure 3-18: Distribution of Impacted Mexican Day Labor (%), by Economic Sector

Table 3-5: Macroeconomic Impacts of Two-Week Pedestrian Disruption

Category	Units	Value	% U.S.
Gross Domestic Product	Millions of Fixed (2010) Dollars	-400	-0.0031%
Total Employment	Number of Jobs	-4,600	-0.0026%
Personal Income	Millions of Current Dollars	-240	-0.002%

Table 3-6: Macroeconomic Impacts of Six-Month Pedestrian Disruption

Category	Units	Value	% U.S.
Gross Domestic Product	Billions of Fixed (2010) Dollars	-1.5	-0.011%
Total Employment	Number of Jobs	-19,140	-0.011%
Personal Income	Millions of Current Dollars	-900	-0.007%

Jobs Impacts

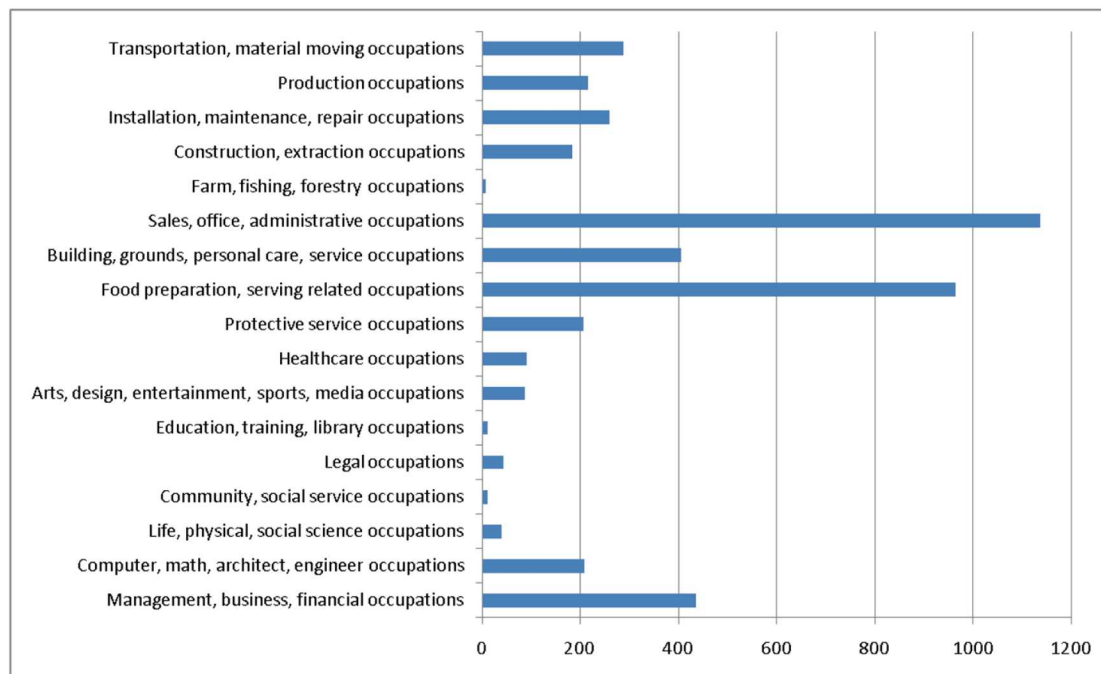


Figure 3-21: Employment Impacts (Jobs) of Two-Week Pedestrian Disruption

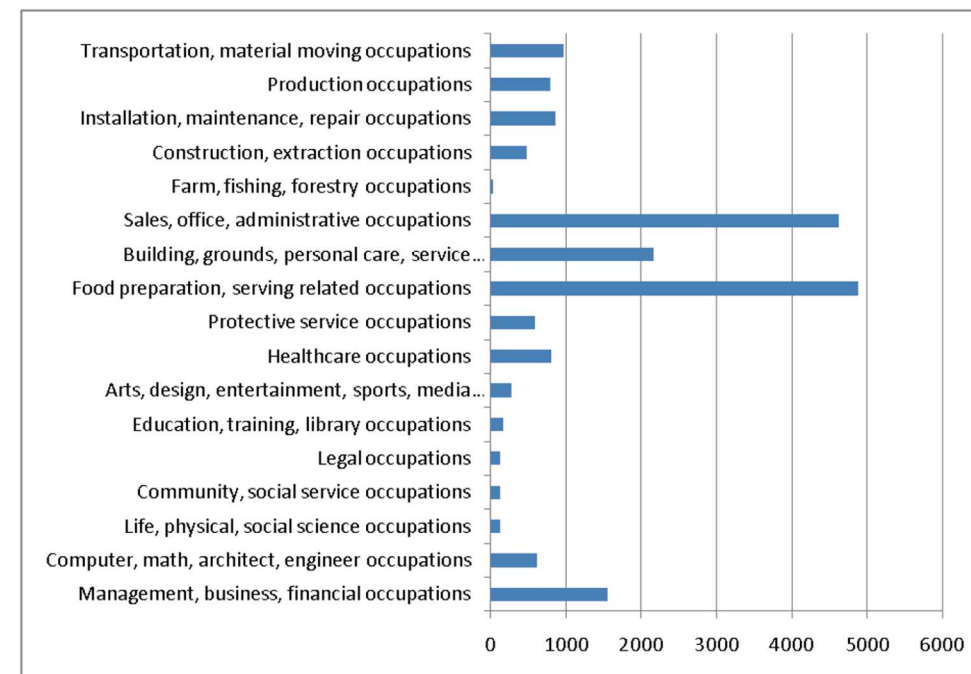


Figure 3-24: Employment Impacts (Jobs) of Six-Month Pedestrian Traffic Disruption, by Job Classification

Discussion

- What does this prototypically represent as a more general shock to the US economy?
- What dynamics are we *not* capturing with this analysis?
- What are pre-emptive policies that could lessen the effects of physical border closure?

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