

Bordernomics

**Defining Economic Opportunities, Potential, and
Challenges Confronting the US – Mexico Border Region
and Strategies for Enhanced Prosperity**

Highlights of Study Findings and Results

An Analysis by The Perryman Group for
The Mexicans and Americans Thinking Together
Foundation.



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- Trade, business relationships, workforce flows, and family ties link the 10 states along both sides of the US-Mexico border. These commercial and social interactions benefit both nations.
- Optimizing prosperity and quality of life on both sides of the border depends on cooperative efforts toward common goals and maximizing opportunities to enhance integration.
- There are also challenges and constraints which, if properly and systematically addressed, could increase prosperity.
- Bordernomics analyzes the economy of the US-Mexico border region in order to improve understanding of regional dynamics and identify actions which could generate meaningful improvement, and the Bordernomics Alliance can be a catalyst and major force for change.



Study Process

- The major phases of this analysis include:
 - **Data Collection:** The Perryman Group assembled a comprehensive set of data for the United States and Mexico as well as each border state. Underlying series were adjusted to account for currency exchange rates, differences in definitions, missing (suppressed) data points, and other inconsistencies. In addition, a review of other studies, reports, and other information was conducted.
 - **Focus Groups:** In order to better understand the current situation and the potential for future cooperative efforts, twelve focus groups were conducted throughout the US-Mexico border region.
 - **Model Development:** Extensive modeling efforts result in a model which allows for estimation of the total export potential of each US-Mexico border state and the potential benefits of enhancing integration.
 - **Analysis of Potential Trade Benefits:** Potential economic benefits of greater integration were quantified.
 - **Opportunities, Challenges, and Recommendations:** Based on this process, recommendations were developed to deal with opportunities and challenges.
- Although there have been prior studies of border issues, this effort provides an unprecedented level of detail with regard to potential benefits, including results by state and major industry group.



Current Trade Patterns

- Trade between the United States and Mexico is crucial to both nations, with total trade in goods and services of \$586.9 billion in 2016, more than double the level in 1999 and up 15.7% since 2011. US-Mexico trade volume is nearly three times larger than it was 20 years ago.
- Increasing trade would be beneficial to both nations, as comparative advantages with regard to costs, infrastructure, and workforce can be tapped to improve overall efficiencies, competitiveness, and growth.



US-Mexico Trade by Category

The largest category of US exports to Mexico is capital goods except automotive, while the largest import category is automotive vehicles, parts, and engines.

Largest Categories of US Exports to Mexico (2016) (billions of constant 2017 dollars)		
1	Capital goods except automotive	\$81.3
2	Industrial supplies and materials	\$77.3
3	Automotive vehicles, parts, and engines	\$33.0
4	Travel services	\$17.5
5	Foods, feeds, and beverages	\$16.4
	Other goods and services	\$36.3

Source: Bureau of Economic Analysis.

Largest Categories of US Imports from Mexico (2016) (billions of constant 2017 dollars)		
1	Automotive vehicles, parts, and engines	\$107.7
2	Capital goods except automotive	\$89.5
3	Consumer goods except food and automotive	\$38.0
4	Industrial supplies and materials	\$29.0
5	Foods, feeds, and beverages	\$25.1
	Other goods and services	\$35.7

Source: Bureau of Economic Analysis.



Quantifying Potential Benefits of Enhanced Trade

- The Perryman Group used the dataset compiled during the course of this analysis in an extensive modeling effort to estimate the total export potential of each state and the benefits of enhancing integration and, therefore, trade and business activity.
- Two scenarios were developed based on increasing integration among border states.
 - The global Economic Integration Index (EII), a widely used measure of integration among economies, was used to quantify potential economic benefits from improvements in cooperation.
 - Scenario 1 evaluates the benefits of increasing joint activity the equivalent of one unit in the EII and Scenario 2 examines the gains from a two-unit increase in the EII.
- Results are fully adjusted to reflect current trade status and the export potential and import needs of each state. The study results illustrate the substantial potential benefits of enhancing economic integration, although much greater gains are certainly possible.



Economic Benefits of Improving Integration

- The Perryman Group estimates a one-unit increase in the Economic Integration Index (Scenario 1) would result in economic gains including
 - **\$69.35 billion** in annual output (gross product) and over **702,000** jobs in US Border States and
 - **\$4.79 billion** in annual output (gross product) and nearly **96,000** jobs in Mexico Border States.
- A two-unit increase in the Economic Integration Index (Scenario 2) would lead to gains of an estimated
 - **\$139.88 billion** in annual output (gross product) and more than **1.4 million** jobs in US Border States and
 - **\$9.67 billion** in annual output (gross product) and almost **194,000** jobs in Mexico Border States.



Impact of Greater Border Integration: Scenario 1

With a one-unit increase in the Economic Integration Index for US-Mexico border trade, fully adjusted to reflect current trade status, employment gains of nearly 800,000 jobs could be expected.

	Expenditures	Gross Product	Personal Income	Employment
	(dollar amounts in billions of constant 2017 dollars)			
US Border States	\$164.92	\$69.35	\$39.80	702,421
Arizona	\$9.34	\$4.49	\$2.84	63,651
California	\$84.11	\$38.29	\$21.46	386,953
New Mexico	\$2.93	\$1.32	\$0.79	16,513
Texas	\$68.54	\$25.25	\$14.71	235,304
Mexico Border States	\$10.20	\$4.79	\$2.96	95,948
Baja California	\$0.79	\$0.42	\$0.26	15,780
Chihuahua	\$0.85	\$0.45	\$0.28	15,674
Coahuila	\$1.75	\$0.83	\$0.53	13,305
Nuevo Leon	\$3.94	\$1.83	\$1.14	27,813
Sonora	\$1.29	\$0.62	\$0.39	11,811
Tamaulipas	\$1.58	\$0.64	\$0.36	11,566



Impact of Greater Border Integration: Scenario 2

With a two-unit increase in the Economic Integration Index for US-Mexico border trade, potential gains rise to more than 1.6 million (fully adjusted to reflect current trade status).

	Expenditures	Gross Product	Personal Income	Employment
	(dollar amounts in billions of constant 2017 dollars)			
US Border States	\$332.64	\$139.88	\$80.27	1,416,756
Arizona	\$18.84	\$9.06	\$5.74	128,381
California	\$169.65	\$77.23	\$43.28	780,470
New Mexico	\$5.92	\$2.66	\$1.59	33,306
Texas	\$138.23	\$50.92	\$29.67	474,600
Mexico Border States	\$20.58	\$9.67	\$5.97	193,526
Baja California	\$1.60	\$0.86	\$0.53	31,828
Chihuahua	\$1.72	\$0.91	\$0.57	31,615
Coahuila	\$3.52	\$1.67	\$1.06	26,836
Nuevo Leon	\$7.94	\$3.70	\$2.29	56,097
Sonora	\$2.59	\$1.25	\$0.79	23,821
Tamaulipas	\$3.19	\$1.29	\$0.73	23,328



Conclusions

- The US-Mexico Border region is a vibrant community of people and businesses with strong ties and deep connections.
- By working together to address challenges faced by both nations, outcomes can be improved for all.
- Increasing cooperation can also enhance trade, leading to substantial economic benefits.
- Long-term prosperity on both sides of the border depends on working together toward optimal solutions.



The **Bordernomics Alliance** will be a catalyst and major force in **implementing** the recommendations in this analysis, **promoting** greater border integration, and **facilitating** future economic growth and prosperity in this unique and dynamic region.



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If you're interested in obtaining more information regarding the

Bordernomics Alliance,

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Effective economic Research.

The Perryman Group provides economic insights essential in the board room, courtroom, or council room.

We are a focused team of analysts who know how to address any economic information task and present our findings effectively.

Our in-house professionals bring expertise in finance, statistics, economics, real estate, valuation, systems analysis, engineering, technical communications, and marketing. Dr. Ray Perryman, President and CEO, has almost 40 years of experience in developing systems, analyzing complex problems, and communicating effectively. In particular, the firm has performed numerous studies related to the areas of common concern to the border states.