



Gobierno de
México

Relaciones Exteriores

Secretaría de Relaciones Exteriores

THE MIRAGE OF THE U.S. TRADE DEFICIT WITH MEXICO

Understanding the deficit beyond the headlines

Juan Carlos Mendoza Sánchez

Consul General of Mexico in Laredo



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Five reasons to understand the U.S.–Mexico trade relationship

- 1. THE TRADE DEFICIT**
Beyond the headline
- 2. THE ROOT OF THE DEFICIT**
The fiscal–trade connection
- 3. U.S. TARIFFS POLICY**
Promises and partial results
- 4. SUPPLY CHAINS**
Competition, integration and nearshoring
- 5. STRATEGIC PARTNERSHIP**
Why North American integration matters



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1. THE TRADE DEFICIT

Beyond the headline



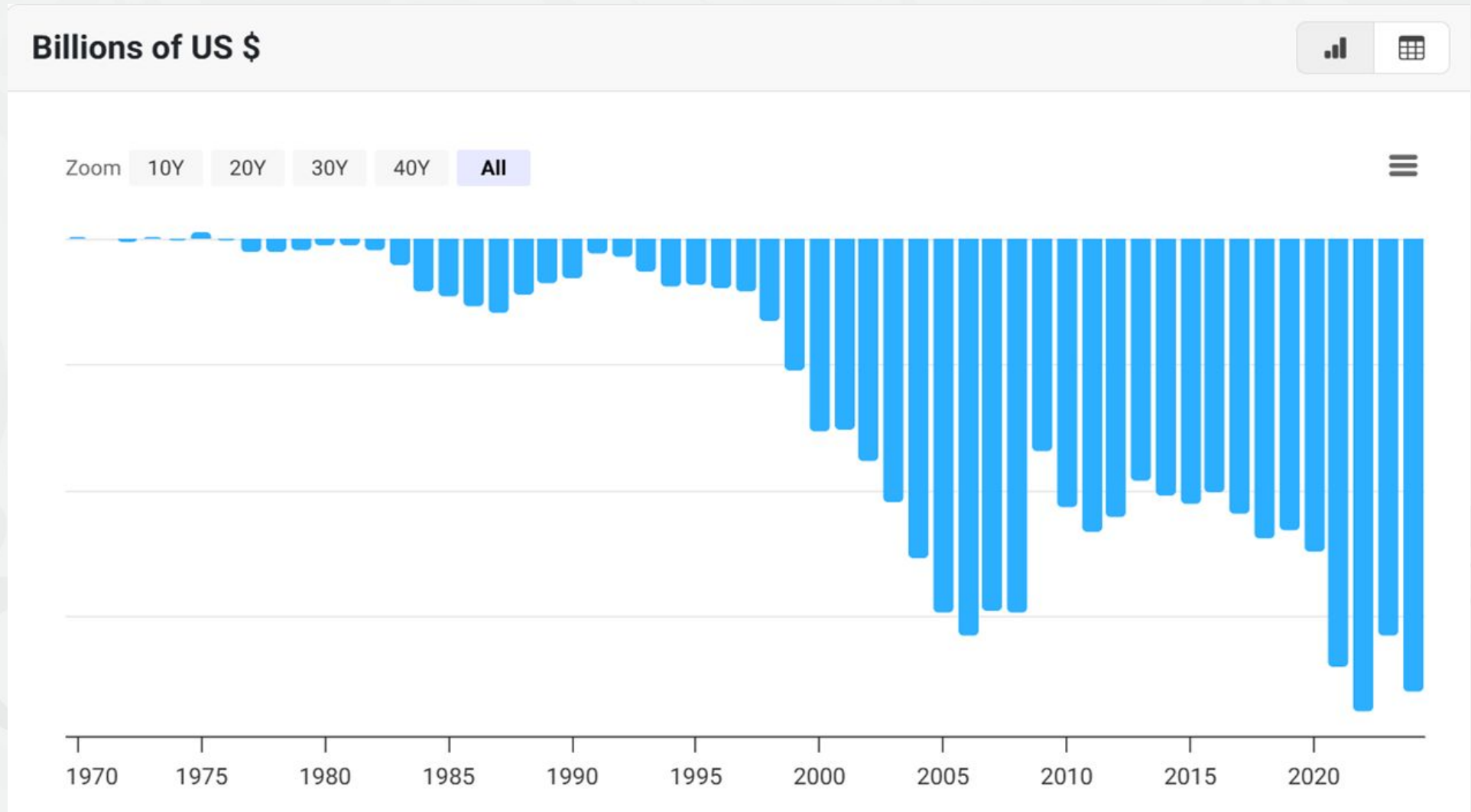
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Mexico is not the enemy

- For years, trade debates have focused on isolated numbers, on deficits, on rankings. But reality is more complex than numbers.
- US trade deficit with Mexico exists, but it is only a piece of the puzzle.
- The growing trade deficit with Mexico has been an obsession for US, but it isn't the origin of the problem.
- US has a high trade deficit with countries with no trade agreement.

U.S. historic trade deficit

Source: Macrotrends,
based on historical U.S.
trade balance data.



The U.S. trade deficit began in 1976—18 years before NAFTA entered into force.



U.S. SERVICES TRADE

Mexico vs. the Rest of the World

U.S. TRADE IN SERVICES (USD BILLIONS)

Exports Imports Trade balance



MEXICO



REST OF THE WORLD



Source: U.S. Bureau of Economic Analysis (BEA). International Services, Expanded Geographic Detail. 2025 (and prior years).

U.S. SERVICES TRADE SURPLUS IN 2025



MEXICO

+\$8.4B



REST OF THE WORLD

+\$339.5B

The U.S. runs a services trade surplus with both Mexico and the rest of the world.

THE BIGGER PICTURE (U.S. TOTAL, 2025)

GOODS

-\$1.24T
TRADE DEFICIT



SERVICES

+\$339.5B
TRADE SURPLUS



The U.S. trade deficit is driven by goods, while services generate a substantial surplus.

The U.S. trade deficit began in 1976—long before NAFTA and the USMCA.



1976

OCTOBER 1976

U.S. trade deficit begins.



1994

JANUARY 1, 1994

NAFTA enters into force.



2020

JULY 1, 2020

USMCA enters into force.



The chronology matters:

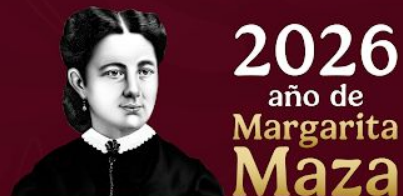
the deficit predates North American free trade by **18 years**.



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2. THE ROOT OF DEFICIT

The fiscal-trade connection



The trade deficit is part of a broader structural imbalance.

- In order to compensate for this difference, US purchases products from other countries.
- This is the reality that gives rise to the trade deficit.
- This structural economic problems began 50 years ago.
- US consumes more than it produces. That is the real problem.
- Trade agreement with Mexico is not the origin of the problem.



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Twin Deficits

- The U.S. government spends more money than it collects in revenue, resulting in a fiscal deficit.
- To finance this fiscal deficit, the United States issues and sells Treasury securities to foreign investors.
- The U.S. trade deficit has coexisted with the fiscal deficit since 2003, that is, for 24 consecutive years.



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U.S. Federal Deficit Trends Over Time

FISCAL YEARS 2001–2025



2025
Fiscal Year

\$1.78 Trillion
Total Deficit
(5.8% of GDP)



The federal deficit has increased significantly over the past two decades, reaching \$1.78 trillion in 2025, equivalent to 5.8% of GDP.

Source: U.S. Department of the Treasury. Fiscal Data.

Note: Federal fiscal years. 2025 deficit as of latest available data. 5.8% of GDP in 2025.

3. U.S. TARIFFS POLICY

Promises, policy and partial results



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The Promises Behind Tariffs

- During the 2024 campaign, Mr. Trump presented tariffs as a tool to revive America's industrial communities.
- In Pennsylvania, he pledged to bring manufacturing jobs back to the United States.
- In Detroit, he argued that tariffs could encourage manufacturing jobs to move from Mexico to Michigan.

The Partial Results

U.S. MANUFACTURING PURCHASING MANAGERS' INDEX (PMI)

The manufacturing rebound has been modest, with the index still below the 2021 peak.



U.S. manufacturing activity has shown signs of improvement, but the gains so far are limited.

Source: Institute for Supply Management (ISM).

Tariffs and Shifts in Auto Production

- **General Motors** plans to shift production of certain models from China to the United States, partly to avoid tariffs on Chinese-built vehicles.
- **GM** has also reduced some of its Canadian operations.
- **Stellantis** has shifted planned production from Canada to the United States.
- **Honda** moved plans for next-generation Civic hybrid production from Mexico to Indiana, citing potential U.S. tariffs on vehicles imported from Mexico.



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The Economist's Assessment

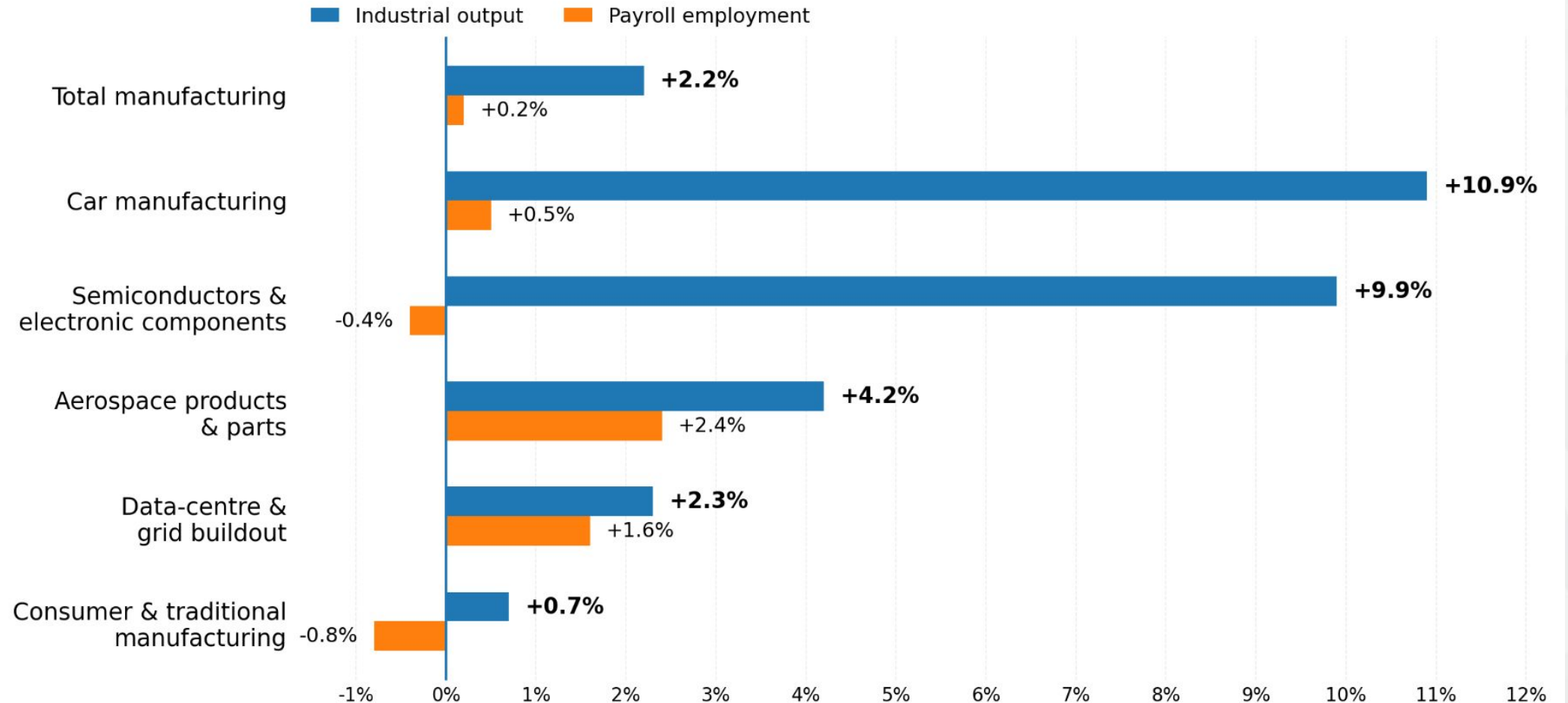
- Employment in the automotive industry has increased by less than 1%.
- Where manufacturing jobs are being created, they look rather different from the traditional factory work Mr. Trump evokes.
- Aircraft manufacturing plants, for example, require engineers, technicians and other highly skilled workers.
- Nearly 6 in 10 workers have a bachelor's degree or higher, while only about one in five works on the factory floor.
- The return of automakers to the United States does not necessarily mean a return to the same scale of assembly-line employment as in the past.
- **Automation and robotics** now perform a significant share of manufacturing tasks.



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Manufacturing Output Is Rising Faster Than Employment

United States • % change, Dec 2025-Jun 2026*



Output gains have been substantially larger than payroll employment gains across several manufacturing segments.

*Seasonally adjusted | Sources: Bureau of Labor Statistics; Federal Reserve

4. SUPPLY CHAINS

Competition, integration and nearshoring



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Not all trading partners are the same



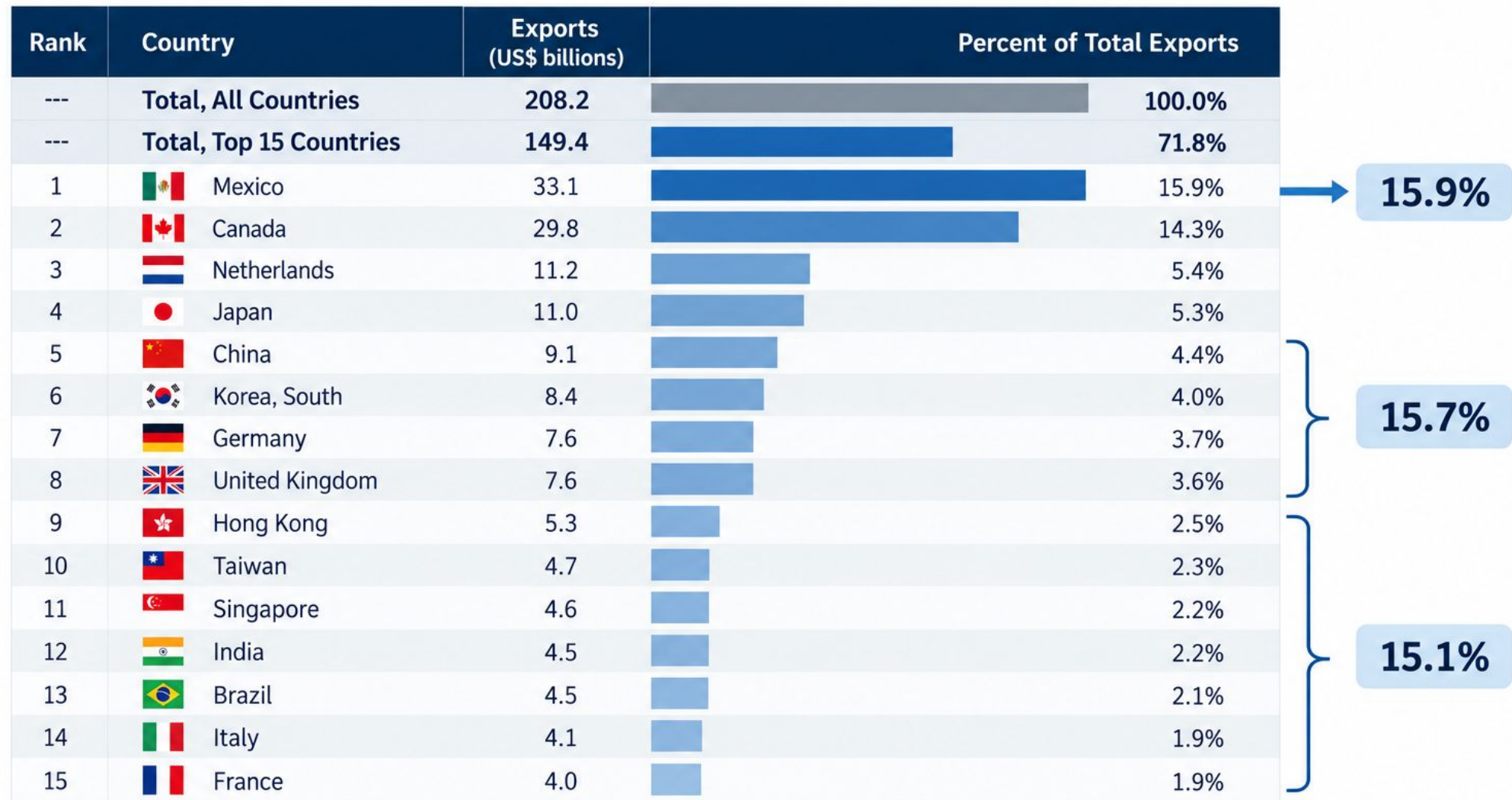
The Global Economy

- No country is fully self-sufficient.
- Modern manufacturing depends on global supply chains.
- North America remains connected to suppliers in Asia-Pacific and Europe, particularly for critical inputs such as semiconductors.
- NAFTA created highly integrated North American value chains, but many inputs continued to come from outside the region.
- Nearshoring aims to bring more production and sourcing closer to North America.



U.S. Top 15 Export Markets

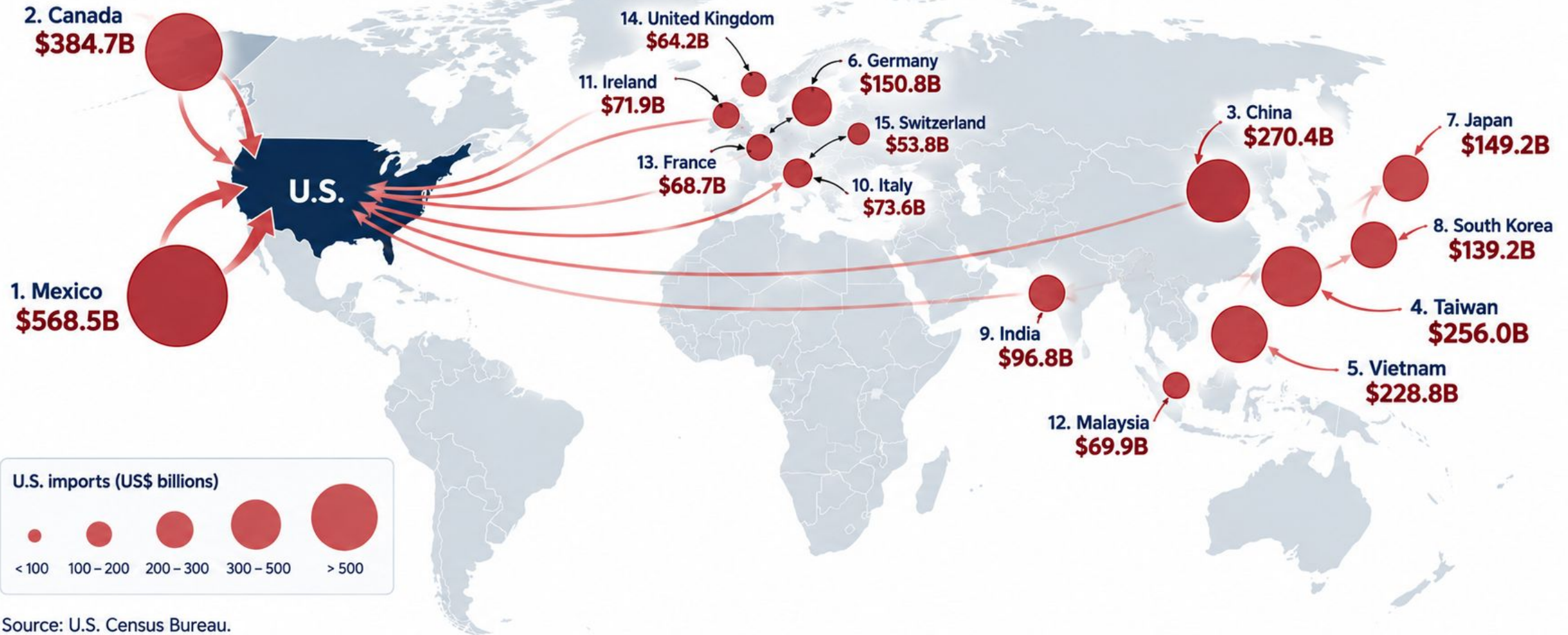
May 2026



Source: U.S. Census Bureau.

Top U.S. Import Origins

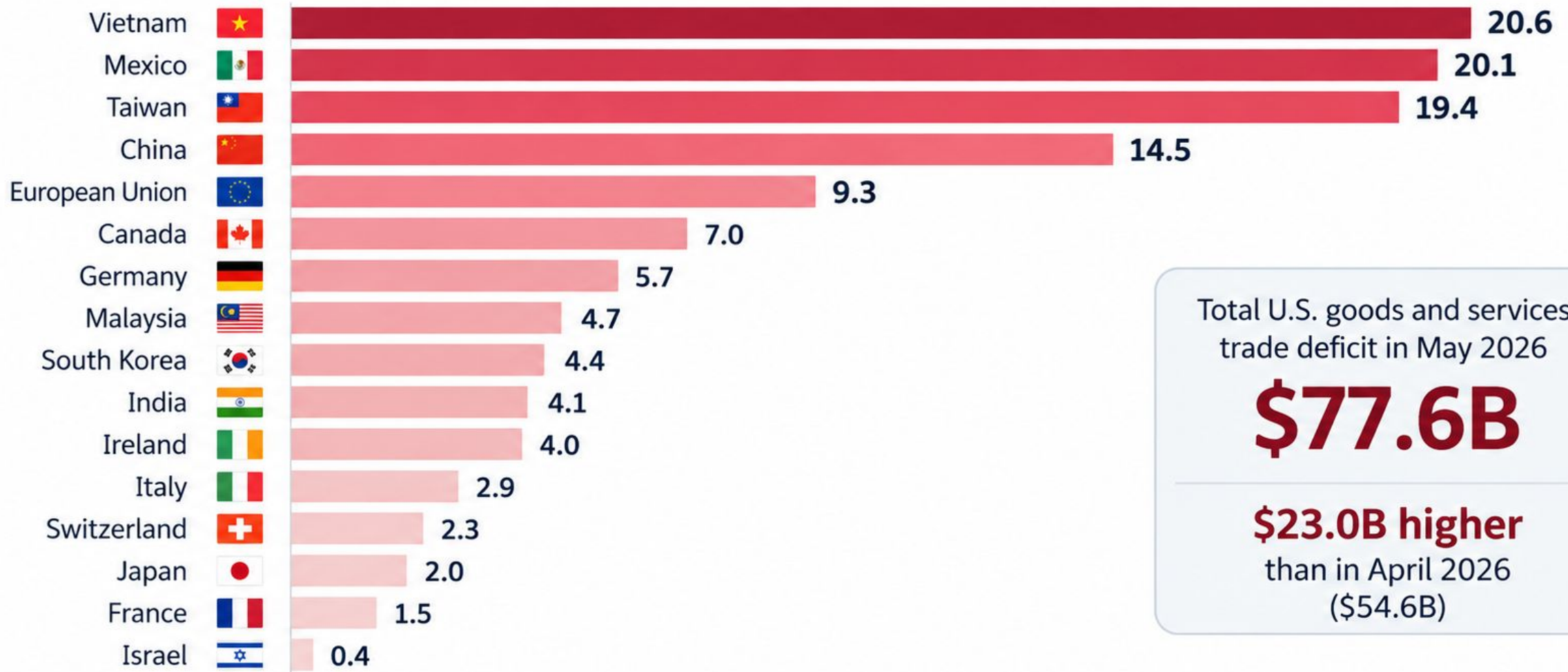
June 2025 to June 2026



Source: U.S. Census Bureau.

U.S. trade deficit in May 2026

Billion dollars



Total U.S. goods and services
trade deficit in May 2026

\$77.6B

\$23.0B higher
than in April 2026
(\$54.6B)

Source: U.S. Census Bureau. July 7, 2026. | The U.S. Census Bureau and the U.S. Bureau of Economic Analysis announced that the goods and services deficit was \$77.6 billion in May, up \$23.0 billion from \$54.6 billion in April, revised.

Mexico's Trade Balance 2025

By region (thousand dollars)

Mexico's trade deficit by region 2025

Asia			-265,577,787
Europe			-43,253,549
South America			-6,222,977
Africa			-1,824,477
Total			-316,878,790

Mexico's trade surplus 2025

United States of America			196,913
Canada			9,613



Mexico maintains trade surpluses with the United States and Canada, while registering trade deficits with other regions.

Mexico's historic trade balance

Thousand dollars

Concept	2016	2017	2018	2019	2020	2021	2022 ^A	2023 ^A	2024 ^A	2025 ^R
 Total Exports	373,953.6	409,432.6	450,712.7	460,603.9	417,170.7	494,949.0	577,697.5	593,001.5	617,677.1	664,837.2
 Oil exports	18,824.8	23,725.2	30,629.4	25,794.1	17,655.3	29,390.1	38,994.4	33,190.4	28,860.3	21,245.5
 Crude oil	15,582.0	20,047.2	26,540.3	22,361.4	14,855.0	24,448.3	31,587.4	27,576.1	22,218.7	14,818.6
 Other	3,242.8	3,677.9	4,089.1	3,432.7	2,800.2	4,941.7	7,347.1	5,614.4	6,641.6	6,426.9
 Non-oil exports	355,128.8	385,707.4	420,083.4	434,809.8	399,515.5	465,558.9	538,763.1	559,811.0	588,816.8	643,591.6
 Agricultural goods	14,844.8	16,000.0	16,507.6	17,832.3	18,224.6	19,922.3	21,191.6	21,809.1	23,510.6	20,969.5
 Extractive goods	4,368.3	5,427.1	6,232.0	6,188.8	7,407.5	9,554.8	9,149.9	9,171.1	10,874.5	13,803.7
 Manufacturing goods	335,915.7	364,280.4	397,343.8	410,788.7	373,823.4	436,081.9	508,421.6	528,830.9	554,431.7	608,818.5
 Total Imports	387,087.5	420,393.6	464,302.4	455,241.6	382,985.9	505,703.1	605,805.4	605,280.0	636,218.0	664,066.2
 Oil imports	31,565.9	42,010.3	53,761.6	47,206.8	31,408.0	53,851.4	75,305.2	58,559.5	50,086.8	46,797.4
 Non-oil imports	355,521.7	378,383.3	410,540.8	408,034.7	351,577.9	451,851.7	530,500.1	546,720.5	586,131.2	617,268.8
 Consumer goods	51,954.5	57,338.4	63,117.6	61,158.4	45,979.8	62,024.7	81,253.6	92,488.6	99,266.2	98,021.0
 Intermediate goods	295,411.9	322,039.4	355,656.7	352,847.4	303,733.2	403,150.8	476,349.2	454,939.9	475,376.5	509,800.6
 Capital goods	39,721.1	41,015.8	45,528.0	41,235.8	33,272.9	40,527.6	48,202.6	57,851.5	61,575.4	56,244.7
 Total Trade Balance	-13,133.9	-10,961.0	-13,589.6	5,362.3	34,184.8	-10,754.1	-28,107.9	-12,278.5	-18,540.9	770.9

Source: INEGI. Balanza Comercial de Mercancías de México. | ^A Cifras oportunas. ^R Cifras revisadas. Miles de dólares.

The new tariff paradigm: A false door?

- The American Pax Is Over
- Tariffs are reshaping the rules of global trade.
- The resulting pressure is pushing firms to reconsider supply chains, production locations and trade routes.

Source: The White House, "The Great Transshipment Scam," August 13, 2026.



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The Shift of the International Trade Paradigm



Frankenstein of Tariffs

- The White House alleges that 43 countries—including Mexico—form a “shadow network” through which Chinese goods are rerouted and presented as originating elsewhere to avoid U.S. tariffs.
- The 43 countries identified by the administration account for more than 70% of U.S. imports from sources other than China.
- The broader issue is not simply individual cases of transshipment, but the architecture of global trade—and the supply chains that connect it.



China's Response to Tariff Policy

- According to *The Economist*, the gap between the tariff rate applied to Chinese imports and that applied to the rest of the world was less than **one percentage point** in 2018. Today, the gap is around **29 percentage points**.
- China's share of U.S. imports has **fallen from 21% to 9%**, while the share of “connector” economies—including Vietnam, Malaysia and Mexico—has increased.
- China's response can be seen as a logical move to defend itself against U.S. tariff policy.



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China: The New Economic Giant

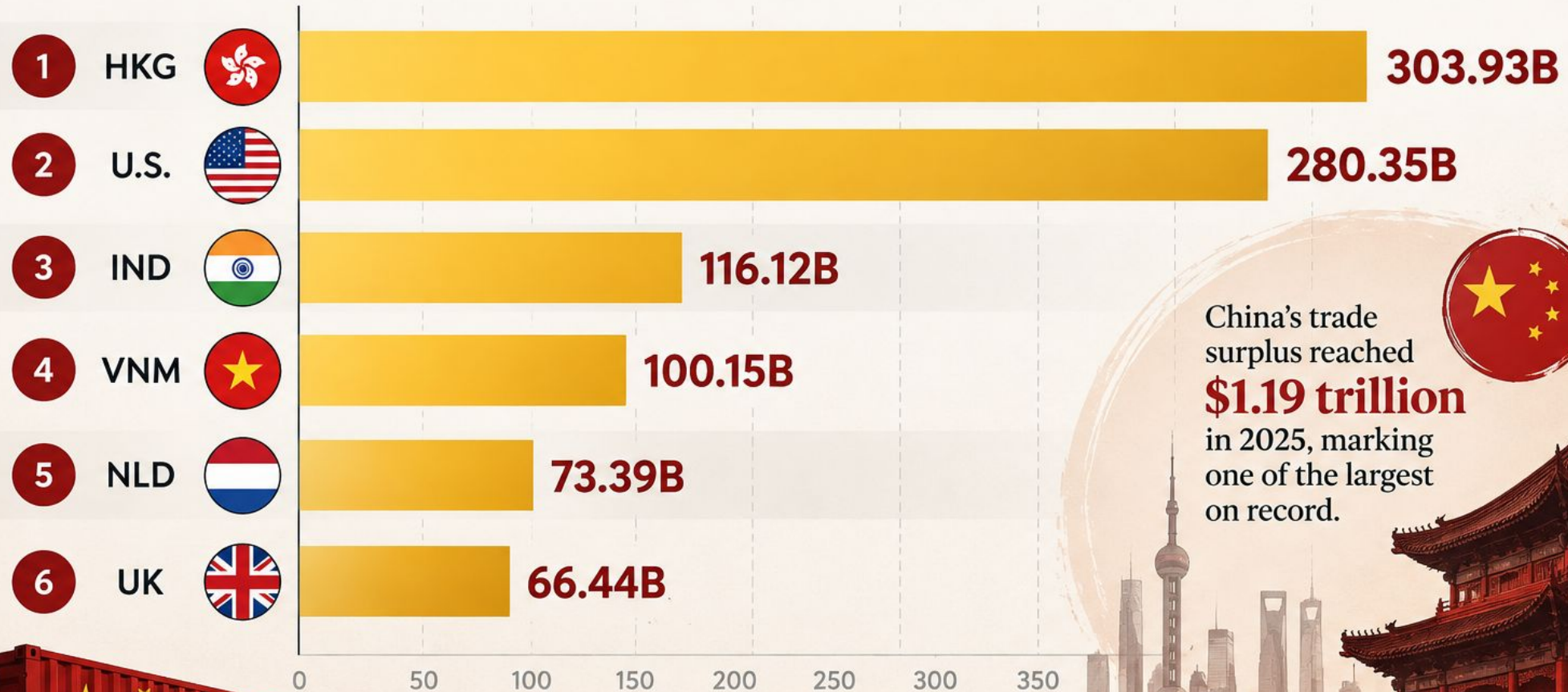
- China has four times the population of the United States
- China's economy, while slowing, is roughly 25 to 30% larger than the U.S. economy when measured by purchasing power parity.
- Its manufacturing capacity is twice that of the United States.
- China produces twenty times as much cement as the United States, thirteen times as much steel, three times as many cars, and twice as much power.
- It accounts for two-thirds of the world's electric vehicles, three-quarters of batteries, 80 percent of consumer drones, and 90 percent of solar panels and refined critical minerals.
- It is pulling ahead in the next industrial revolution: it installs half the world's industrial robots and produces more active patents and top-cited scientific publications annually than the United States.



Trade Surpluses by Partner

CHINA'S LARGEST TRADE SURPLUSES, 2025

SURPLUS
(EXPORTS - IMPORTS, US\$ BN)



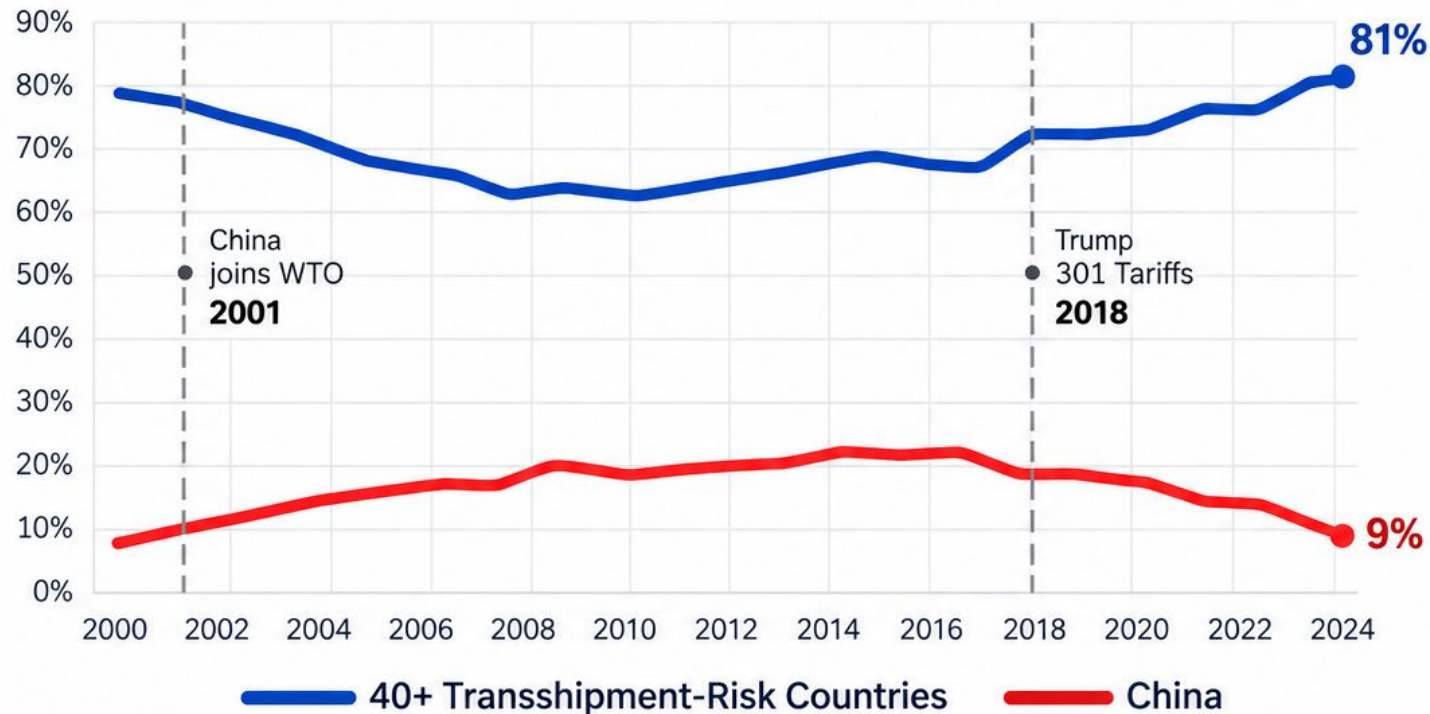
China's trade surplus reached **\$1.19 trillion** in 2025, marking one of the largest on record.

The Great Reallocation

Chinese exports have been rerouted through third countries that now form the global Shadow Transshipment Network.



Share of U.S. Imports from Selected Trade Counterparts



↓ **21% → 9%**

China's share of U.S. imports fell from **21%** to **9%**.

↑ **65% → 81%**

The share of 40+ transshipment-risk countries rose from **65%** to **81%**.

The data show a clear reallocation of Chinese exports to third countries following President Trump's 2018 tariffs.



Tariffs did not eliminate Chinese exports — they changed the routes.

Source: White House Office of Trade and Manufacturing Policy calculations using U.S. Census merchandise trade data obtained through USITC DataWeb for jurisdictions identified from analyses by CEA, Commerce, and Exiger; accessed July 2026.

Three Tiers of the Shadow Transshipment Network

Countries that facilitate the rerouting of Chinese exports to global markets

Tier	Label	Criteria	Transshippers (Selected)
Tier 1 	Diversified Scale Leaders	Large absolute volumes of China-linked goods; diversified industrial bases and major U.S.-bound export platforms where transshipment risk is embedded within broad legitimate trade flows.	<div>  Canada  European Union  India  Israel </div> <div>  Japan  Mexico  South Korea  Taiwan </div>
Tier 2 	Scale Leaders, Significant Economic Integration with China	Significant transshipment volumes combined with deeper integration into China-linked supply chains, input sourcing, manufacturing platforms, logistics systems, or regional rerouting channels.	<div>  Brazil  Indonesia  Malaysia </div> <div>  Thailand  Turkey  Vietnam </div>
Tier 3 	Small, Opportunistic Chinese Targets	Smaller economies with lower absolute transshipment volumes but specific weak-link advantages — including low-cost labor, free zones, port or border access, bonded warehousing, niche assembly capacity, preferential U.S. access, or limited customs enforcement capacity — that make them attractive opportunistic targets for China-linked rerouting.	<div>  Argentina  Azerbaijan  Bangladesh  Cambodia  Chile  Colombia  Costa Rica  Dominican Republic  Georgia  Jordan </div> <div>  Kazakhstan  Kenya  Laos  Morocco  Myanmar  Oman  Panama  Peru  Philippines  Singapore </div> <div>  Sri Lanka  Switzerland  United Arab Emirates  Uzbekistan </div>

Functional Architecture of the Shadow Transshipment Network

Functional Cluster	Core Role	Illustrative Countries
 Southeast Asian Microhubs	Light assembly, export-processing zones, relabeling, and re-export of China-linked goods.	 Bangladesh  Cambodia  Laos  Philippines  Sri Lanka
 Central and Eastern European Processing Belt	EU-based finishing, contract manufacturing, bonded warehousing, and regional relabeling.	 Czech Republic  Hungary  Poland  Romania
 Maritime Gateways	Free-zone re-export, deep-water port relay, container consolidation, and re-invoicing.	 Costa Rica  Dominican Republic  Malaysia  Oman  Panama  UAE
 Belt-and-Road Overland Nodes	Rail and dry-port transit, consolidation, and overland-to-maritime handoff.	 Azerbaijan  Georgia  Kazakhstan  Uzbekistan
 Latin American Corridors	Pacific and Atlantic rerouting, bonded warehousing, and regional assembly.	 Argentina  Brazil  Chile  Colombia  Peru
 African Peripheral Hubs	Emerging port and free-zone way stations for selected China-linked flows.	 Kenya  Morocco
 Developed Logistics Platforms	Advanced customs, ports, trading houses, bonded warehouses, and global re-export systems.	 Belgium  Canada  Netherlands  Singapore  Switzerland  Turkey

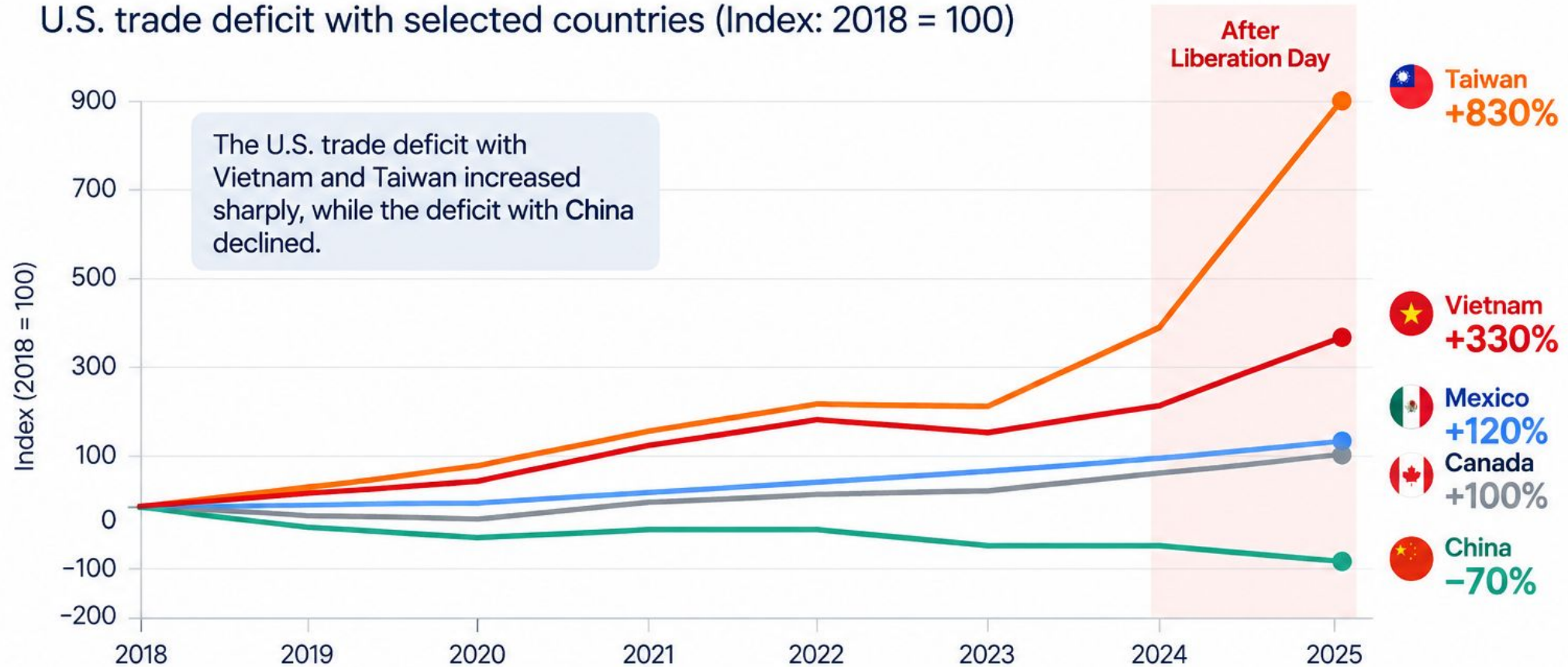
5. STRATEGIC PARTNERSHIP

Why North American integration matters



The U.S. Trade Deficit Did Not Shrink — It Moved to Vietnam and Taiwan

U.S. trade deficit with selected countries (Index: 2018 = 100)



Tariffs did not eliminate the U.S. trade deficit — they shifted it to other countries.

Source: CSIS, April 8, 2026.

Note: U.S. trade deficit (goods) with selected countries, indexed to 2018 = 100.

Trade Diversion Is Not the Same as Regional Integration

MEXICO — REGIONAL COPRODUCTION

- About **74¢ of every dollar** of manufactured goods Mexico exports to the United States originates within North America, reflecting U.S., Canadian and Mexican inputs embedded in regional production.
- **Mexico operates within the USMCA rules-of-origin framework**, which determines eligibility for preferential treatment.

VIETNAM — A DIFFERENT TRADE PATTERN

- In 2025, U.S. imports from Vietnam were 12.4 times larger than U.S. exports to Vietnam, according to CSIS.
- CSIS characterizes this as one-directional sourcing rather than North American-style coproduction.

TAIWAN — THE SEMICONDUCTOR EFFECT

- The U.S. goods trade deficit with Taiwan increased 99.1% in 2025, reaching \$146.8 billion, while imports from Taiwan rose 73.3%.
- CSIS links the sharp increase in the deficit to the surge in semiconductor-related imports

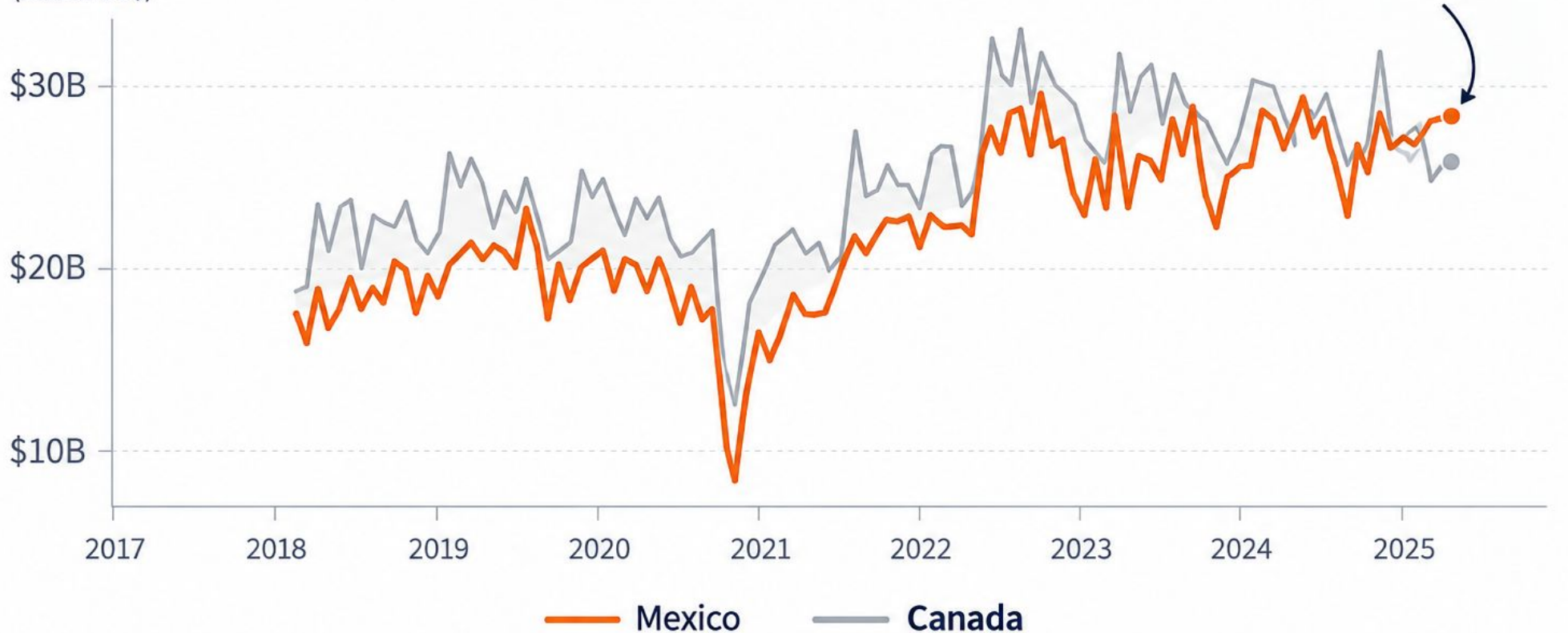
Mexico-U.S.: A Co-Production Economy

- Mexican exports to the U.S. contain ten times more U.S. value added than Chinese exports. On average, 40 percent of what Mexico exports is made in the United States. When Mexico exports, the U.S.A. also exports.
- This is not outsourcing; this is not competition. This is co-production. Our economies complement each other.
- Every truck crossing the border, every auto part, every electrical component, every industrial input supports jobs on both sides of the border.
- For every job created in Mexico under our trade integration, 3 jobs are created in the U.S.A. Mexico doesn't take away American jobs. Mexico is a source of American job creation.

Mexico Becomes the Top Market for U.S. Goods

Monthly U.S. exports to Mexico and Canada

U.S. Exports
(Billion US\$)



Source: CSIS Charts — November 25, 2025

Mexico's reliability rests on certainty, continuity, and complementarity.

- Mexico offers certainty, because our relationship with the United States is not driven by short-term trends or political cycles. It is grounded in geography, shared infrastructure, a workforce trained to produce together, and shared values.
- Mexico offers continuity, because even during moments of political tension, the productive integration between our two countries has continued to function and adapt.
- Mexico offers complementarity, because our goal is not to replace the United States, but to strengthen its global competitiveness, particularly in a world where alternative models do not share our values or our commitment to strengthening North America.

Mexico is not the enemy

- More than the problem, Mexico is part of the solution to the United States' problems.
- Mexico is a crucial country for the U.S. regarding migration and security.
- Mexico is the country with the largest number of U.S. citizens living outside U.S. territory.
- We are neighbors, we are friends, we are strategic partners.



GRACIAS



Juan Carlos Mendoza Sánchez

@jcmendoza2011



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