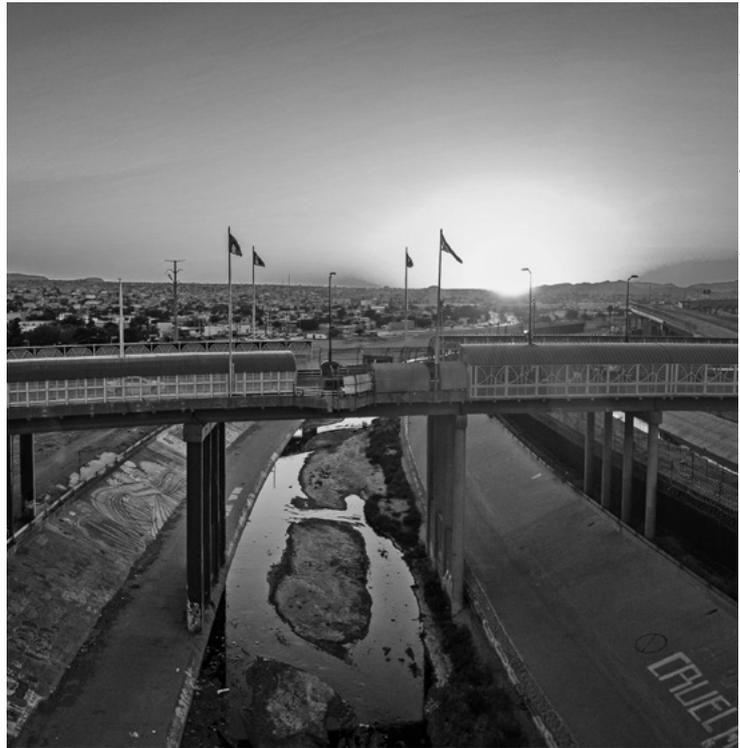


Roberto Zepeda*

Paradiplomatic Relations Between Mexico And Texas



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Introduction

The United States is Mexico's main trading partner, and that relationship has been strengthened over the last three decades as a result of the North American Free Trade Agreement (NAFTA), replaced a few years ago by the United States-Mexico-Canada Agreement (USMCA). From a sub-national point of view, export, import, investment, and employment figures show Texas to be one of the U.S. states that trades most with Mexico, making it our main commercial partner.

The United States-Mexico-Canada Agreement (USMCA)

Since this agreement came into effect, trade flows grew more than 20 percent between 2020 and 2023, recovering pre-pandemic levels and showing the agreement's effectiveness.

We should remember that during NAFTA renegotiations from 2017 to 2018, the governor of Texas sent the Trump administration a letter emphasizing the agreement's importance, since the chief executive had threatened to put

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an end to the treaty if terms more favorable to the United States were not achieved. The governor took the opposite position because abandoning the agreement would have been prejudicial for his state's economy, which depends greatly on exports, most of which go to Mexico and Canada. For both countries, then, trade with its two other partners is its most important international relationship.

The Border Region

Bilateral Mexico-U.S. relations dynamics are more intense in the border region, the site of important economic activity. More than US\$700 billion in goods and services cross the border every year. The border area also boasts important cultural exchange and sees millions of people crossing every year for tourism and business.

Just in the neighboring twin cities, the combined population comes to about fifteen million. Also, more than half of U.S. exports to Mexico come from the four states on the northern side of "the line." Those four states represent one-fourth of the U.S. economy: the country's prosperity depends in large part on the richest, California and Texas. The six Mexican states bordering the United States

represent about one-third of Mexico's national economy. Taken all together, the ten states' combined GDP make up one of the world's largest, surpassed only by those of the United States, China, Germany, and Japan.

The Subnational Focus

In 2021, Mexico was one of the top three exporters to twenty-nine U.S. states: it was the top exporter to six states, the second to sixteen, and the third to six more.

In that same year, Mexico came in second as importer from the United States. It was the top importer from six U.S. states, the second for ten more, and the third for sixteen others. A total of thirty-two U.S. states depend on Mexico for their imports.¹

Paradiplomacy

The international activities of subnational governments, known as paradiplomacy, have developed mainly in border areas. They cover a broad gamut of aspects, such as free trade, climate change, and international cooperation in areas like science, technology, and education.²

Paradiplomacy is carried out parallel to conventional diplomacy.³ The latter is the responsibility of the central government, while the former is managed by non-central government bodies, representatives of subnational states. It focuses on more low-level political issues such as education, science, technology, and the environment, as long as they do not clash with the central government's diplomacy; and the collaboration is carried out through cooperation agreements and memoranda of understanding.⁴

The Importance of the Mexico-Texas Relationship

Texas plays an important role in bilateral relations since, as we know, it has a large population of Mexican origin. In fact, it borders on four Mexican states: Chihuahua, Coahuila, Nuevo León, and Tamaulipas. Its importance also resides in exports, imports, and foreign investment.

It has important links particularly with Nuevo León, since many companies' production is connected and they

operate in adjoining places on both sides of the border. One example is the transnational Tesla, which has announced it will take advantage of the proximity to transfer phases of its production process to nearby regions. This is called nearshoring.

The ports of Laredo and El Paso are among the country's busiest, since almost half of Mexico's exports to the United States go through Texas, where six of the ten trading stations that do business with Mexico are located.

From the mid-1990s until today, exports from Texas to Mexico have increased on average 13 percent a year. Today, the unemployment rate there has dropped to its lowest level, thanks in great part to the hundreds of thousands of jobs associated with the USMCA.

Texas is the United States' largest exporter in terms of the percentage of exports to the subnational GDP. The main products are oil and gas, most of which go to Mexico and Canada, and a little over a million jobs depend on the free trade with those partners. Therefore, economic prosperity depends on free trade, and particularly on agreements like NAFTA; more than five million U.S. jobs depend on trade with Mexico. That number is the equivalent to the entire population of states such as Delaware, South Dakota, North Dakota, Alaska, Washington, D.C., Vermont, and Wyoming.⁵ Most of these jobs are located in the state of Texas, followed by California, New York, and Florida.

Texas is one of the most important states to attract foreign direct investment (FDI). The solidity of the economic relations with Mexico can be shown using data solely from 2022.

In 2022, for the twenty-first consecutive year, Texas headed the list of U.S. exports with US\$487 billion, or 16 percent of the state's GDP, the country's highest. It is also home to more than 1,740 international companies, giving it its reputation as a global economic leader.

In that year, trade between Texas and Mexico came to US\$285.6 billion, making Mexico Texas's main trading partner: in fact, we were its main export destination, coming in at US\$144.3 billion. Mexico was also the main place Texas imported from (US\$141.3 billion). The main products exported from Texas to Mexico were oil, gas, chemicals, nuclear reactors, iron, steel, copper, and plastics. Meanwhile, Texas imported from Mexico mainly nuclear reactors, boilers, machinery and machine parts, electrical machinery, sound and television systems, auto parts (ex-

cept for those for railroads and trolley cars), mineral fuels, oil, bituminous substances, and optical, photographic, medical, and surgical instruments.⁶

Between 2013 and 2023, Mexican companies, outstanding among which were Bimbo, Gruma, and Arca Continental, reported thirty-eight investment projects in Texas, with a capital investment of US\$2.9 billion. Those investments created 5,400 new jobs in the state. In that same period, Texan companies reported ninety-eight investment projects in Mexico, for a total capital investment of US\$13.7 billion and the creation of about 32,000 new jobs in Gruma, Arca Continental, Nice, and Emblemas 3D, in sectors such as food, soft drinks, jewelry, and automobile accessories. Mexico is the twelfth country of origin for FDI projects in Texas, and the ninth in terms of job creation stemming from that investment.⁷

Texas's expanding economy positions it in an outstanding place worldwide, making it one of the world's main subnational powers. In the United States, it is the subnational entity that exports the most, followed by California and New York. Together with California, it also has one of the highest levels of FDI in the country.

It should be underlined that all of this would make Texas the thirteenth largest economy in the world if it were a country. As mentioned above, it exports goods worth a little over US\$144.3 billion to Mexico, plus what it exports to ten other countries combined it trades with. For example, its imports from Mexico were double those from China. The main products it exports are oil, computers and other electronic inputs, while it imports above all crude oil. Texas's total trade with Mexico is greater than all U.S. trade with the United Kingdom, Spain, and Brazil together.⁸

The Texas Economic Development and Tourism Office is the main organization focused on promoting the state's economic development. Its objective is to publicize it as a tourist destination and an entrepreneurial investment hub worldwide. It also explores prospects that favor local companies with the aim of evaluating job creation and export opportunities.

Final Comments

As we have seen, the relationship between Mexico and Texas is an outstanding part of the two countries' trade relations. This subnational body has become a fundamen-

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tal actor in regional economic integration, fostering prosperity on both sides of the border. The implementation of the USMCA has advanced economic recovery after the pandemic, reinforcing trade and investment flows, and positioning Mexico as Texas's main trading partner.

Recent data about trade and investment show a significant interdependence of Texas and Mexico, which has generated mutual benefits in terms of employment and growth. Paradiplomacy has played an essential role in all this, above all in the border region, where Texas and Northern Mexico's subnational states have created robust, sturdy links, contributing to both countries' economic growth.

The big challenge for the incoming Mexican administration is to convince the United States that problems such as border security and the containment of migratory flows can be dealt with through greater bilateral cooperation. To meet this challenge, paradiplomatic relations with subnational border states like Texas will be important. They will serve to promote a bilateral agenda that can foster bilateral cooperation in security and migration at the same time that we seek to strengthen the domestic market and consolidate security institutions. ■■

Notes

1 Mexican Embassy in the United States, "U. S.-Mexico Trade," 2021, <https://embamex.sre.gob.mx/eua/index.php/en/economic-affairs/trade-with-the-united-states-2020>, accessed in May 2022.

2 Roberto Zepeda, *Dinámicas subnacionales en América del Norte. Paradiplomacia de las provincias canadienses* (Mexico City: CISAN, UNAM, 2019).

3 Diplomacy is defined as the practice of international relations carried out by government representatives regarding macro-political issues, such as security, military conflicts, and international treaties.

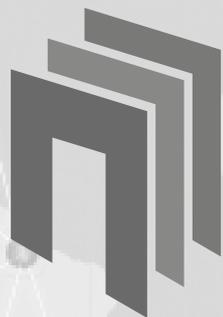
4 Zepeda, op. Cit.

5 Mexican Embassy in the United States, op. cit.

6 Texas Economic Development & Tourism Office of Governor Greg Abbott, "Texas & Mexico: Trade & FDI," 2022; accessed in December 2023.

7 Ibid.

8 Ibid.



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