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THOSE EVER CHANGING AND UNEXPLAINABLE MEXICAN EXPORTS TO THE UNITED STATES

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ABSTRACT

This paper provides an updated overview of U.S. imports from Mexico with an emphasis on determining how these imports have changed since the implementation of NAFTA. Some researchers have suggested that the Mexican trade pattern has changed little since NAFTA; the results presented here suggest the opposite conclusion. The changes that have occurred in the sectoral distribution of U.S. imports from Mexico are explored with an emphasis on the role of the NAFTA tariff changes, the historical sectoral growth trend, the share of Mexican imports of total imports, and growth trends in U.S. imports from other nations. U.S. imports from Mexico have grown the fastest since 1994 in those sectors which have experienced the largest duty reductions under NAFTA and in those sectors where U.S. imports from other nations have increased the fastest. U.S. imports from Mexico have grown the slowest in those sectors which were experiencing the fastest growth prior to NAFTA and in those sectors where Mexico already had a significant share of total U.S. imports. Thus, generally, the "successful" sectors before NAFTA have been the "unsuccessful" sectors after NAFTA. Although all of these factors are statistically significant in explaining the sectoral changes which have occurred since NAFTA, these sectoral changes remain largely unexplained.

I. INTRODUCTION

Two fairly simple questions have been raised about how the NAFTA has altered U.S. imports from Mexico: 1) has the volume of these imports been significantly altered, and 2) has the sectoral distribution of these imports been altered by the tariff cuts incorporated in the NAFTA. The foreign exchange crisis and resulting economic depression in Mexico have made it especially difficult to answer these questions. In several recent influential papers, Hinojosa et al. (1997), conclude

¹The views are those of the author and do not necessarily represent the official positions of the U.S. Department of Labor.

that the NAFTA has had little impact on U.S.-Mexican trade flows². They conclude (p. 68), "The lowering of tariffs through NAFTA has not yet had a significant impact on the rate of growth of imports or exports between Mexico and the United States, or on the composition of trade between sectors." These conclusions, however, are based on a methodology which ignores a number of theoretical problems and their empirical demonstration used data inappropriately. In this paper some new empirical evidence is presented which shows that the level and sectoral structure of U.S. imports from Mexico has changed significantly since NAFTA was implemented in 1994.

Any evaluation of what has happened since the implementation of the NAFTA at the beginning of 1994 is complicated by the peso crisis beginning in December of 1994; the peso depreciation has had a significant influence on Mexican trade flows at least through 1996 which is the last year analyzed in this paper. A clear distinction needs to be made between assessing how pre-NAFTA trade flows differ from post-NAFTA trade flows and assessing how the NAFTA impacted Mexican trade flows. These are two different questions; if nothing else had changed these might be the same issue and there may be situations where a similarity of conditions might be reasonably assumed, however, given the peso crisis this is simply not reasonable. Given the trade barrier reductions incorporated into NAFTA, it was

²An earlier draft of this study was referenced by the United States Trade Representative in its report to the U.S. Congress concerning the operation of NAFTA. These authors have presented these conclusions at a number of economic conferences.

almost universally agreed that at a constant exchange rate U.S. exports to Mexico would increase by more than U.S. imports from Mexico. The likely outcome from this incipient trade surplus would sooner or later result in a devaluation of the Mexican peso. A depreciation of the Mexican peso would boost Mexico's export competitiveness overall but differ sectors would gain differently since sectors have different export supply and export demand elasticities. Therefore any pure trade analysis would have to include some peso devaluation. However, in order to analyze NAFTA more generally, it would be necessary to include in the analysis how the investment climate would be altered by NAFTA; this would be necessary even if the only objective was to study the trade flows since increased investment would likely have a capital inflow effect which would affect the trade account through the exchange rate. When the devaluation would occur could vary depending on how long the capital account surplus, which would cover the trade deficit, could be maintained. In addition, any macroeconomic changes to aggregate demand or employment which resulted from NAFTA induced changes in investment would also have to be considered in a full analysis. Thus to isolate the effects of NAFTA from other developments is much more difficult than usually assumed.

It is even reasonable to argue that the Mexican peso crisis which occurred in late 1994 was partially the result of NAFTA and would not have occurred otherwise. The NAFTA created unrealistic expectations in the private capital market and in the Mexican government about the economic future of Mexico, as political events unfolded during 1994, it became clear that Mexico was not going to become a tiger.

The rapid reversal of the large capital inflows which the Mexican government had allowed (inappropriately, in retrospect) to finance the large current account deficit resulted in a crisis. In summary, if one wishes to assess the effects of NAFTA it becomes very difficult to determine exactly what to analyze and the majority of studies both before and after NAFTA have selectively restricted the analysis to the level that was conducive to their political objective. In this paper, the complexities of this issue are avoided by simply contrasting pre-NAFTA with post-NAFTA trade although there is some attempt to assign the underlying factors responsible for some of the changes that have occurred.

II. U.S. IMPORTS FROM MEXICO – 1991 TO 1996

Before proceeding with a more detailed examination of these issues, trends in U.S. imports from Mexico are discussed more generally. Table 1 provides U.S. imports from Mexico during 1991 to 1996 by duty status. By 1996, U.S. imports from Mexico had almost doubled from their level prior to NAFTA in 1993; total U.S. imports from all sources were up only 37.5 percent during this period so clearly the Mexican share of U.S. imports increased significantly from 6.7 percent in 1993 to 9.4 percent in 1996. Even before NAFTA, during 1990 to 1993, the Mexican share had increased at an annual rate of .3 percent per year; however, in the three years after NAFTA, the Mexican share increased three times as fast, at an annual rate of .9 percent. Thus whether measured in terms of percentage growth or U.S. share, the post-NAFTA period is significantly different from the pre-NAFTA period. Although the difference in trends in these two periods are clear, the explanation is less clear

since some would argue that the peso crisis bears responsibility for these trends and not the tariff reductions incorporated in NAFTA.

Prior to the NAFTA, slightly less than one-half of U.S. imports from Mexico were dutied. The portion of U.S. imports from Mexico that were MFN duty free (12.4 percent in 1993) was relatively low compared to U.S. imports from other nations, but the amount of U.S. components being re-imported duty free under Section 9802 was quite high (24.3 percent); Mexico also made liberal use of the General System of Preferences (GSP) which accounted for 14.0 percent of U.S. imports from Mexico in 1993. With the passage of NAFTA, the amount entering NAFTA duty free during 1994 exceeded the total amount entering duty free under all provisions in 1993; and the amount entering NAFTA duty free has grown rapidly since then and had more than doubled by 1996. By 1996, less than a fourth of U.S. imports from Mexico were subject to duty and over 70 percent of those that were dutied, were dutied at preferential rates.

The sectoral composition of U.S. imports from Mexico by the two-digit SIC classification are presented in Table 2. Manufactured imports accounted for 82 percent of all imports from Mexico in 1996. Electrical machinery followed by transportation equipment were the largest sectors as they had been in 1991, and these two sectors accounted for over one-half of manufactured imports from Mexico. Of the sectors with over one billion dollars in imports, the fastest growing in terms of average annual percentage increase (using the compound growth method) during the post-NAFTA period has been nonelectrical machinery (which incidentally includes

TABLE 1
U.S. Imports from Mexico
by Duty Treatment, 1991-1996

	1991	1992	1993	1994	1995	1996
Total (1)	30,445	33,935	38,668	48,605	61,721	74,179
MFN Duty Free	3,983	4,372	4,787	6,066	8,576	9,795
Subject to Duty	26,462	29,563	33,880	42,540	53,145	64,384
Entered Duty-free	11,072	13,458	15,039	26,083	37,387	45,954
GSP	3,838	4,848	5,429	---	---	---
NAFTA-free	---	---	---	18,151	30,243	38,296
NAFTA-9802:00, 90(2)	---	---	---	1,520	2,483	3,005
HTS 9802(806/807)(3)	6,946	8,264	9,407	6,268	4,490	4,473
Special Provisions	288	346	203	145	171	181
Dutiable	15,389	16,104	18,842	16,457	15,759	18,430
Dutied at MFN Rate	14,934	15,578	18,482	6,971	4,809	4,955
Dutied NAFTA Rate	---	---	---	9,142	10,518	12,976
Duty not calculated	456	526	359	344	432	499
Calculated Duties	578	609	800	605	497	482
MFN Duties	578	609	800	270	190	165
NAFTA Duties	--	--	--	335	307	317
Ad Valorem Duty Rate	3.75	3.78	4.25	3.68	3.15	2.62
MFN Dutied	3.87	3.91	4.33	3.87	3.95	3.33
NAFTA Dutied	--	--	--	3.67	2.92	2.44
Share Dutiable	50.6	47.5	48.7	33.9	25.5	24.84
Total U.S. Components(4)	7,226	8,692	9,887	11,608	12,833	14,764

Notes (1) Customs Value, in millions of U.S. dollars.

(2) Textile and apparel assembled in Mexico from U.S. formed and cut fabric enter duty-free.

(3) U.S. components reimported duty free under HTS 9802.

(4) Total U.S. components declared on customs declaration regardless of duty treatment.

computer equipment) while the fastest growing sector in the pre-NAFTA period was apparel. For whatever reason, there is no correlation between the sectoral growth rates in the pre-NAFTA period and the post-NAFTA period at the 2-digit SIC level.

III. THE HINOJOSA PROCEDURE

As previously stated, in a study that has received significant attention, Hinojosa concludes that the NAFTA has not had a significant effect on the level nor structure of Mexican trade with the United States. Their main piece of evidence for this assertion is that imports from sectors liberalized under NAFTA have not grown any faster than those sectors not liberalized. Table 3 summarizes their major points. As can be seen there is little question that U.S. imports from Mexico increased at a faster rate after NAFTA than before. The average annual rate of growth in U.S. imports from Mexico increased from 6.3 during the 1990-1993 period to 21.5 percent during the 1993-96 period. They divide U.S. imports from Mexico into two groups referred to as liberalized and non-liberalized. Although, during 1993-1996, the average annual growth in the liberalized group (22.3 percent) was slightly above that in the nonliberalized group (20.9 percent), the former was growing significantly faster before 1994 and thus it does not appear from their data that the NAFTA tariff reductions had much effect since there was no relative increase in the growth of the liberalized sector. Thus they contend that it was other factors such as U.S. growth or the peso depreciation which explain the overall increase in the growth of U.S. imports from Mexico, and little effect for the NAFTA tariff changes since there was no increase in the relative growth of the liberalized group.

Table 2
U.S. Imports from Mexico by Major 2-Digit SIC-Based Groups
(customs value, millions of dollars)

SIC-Based Product Group	1991	1992	1993	1994	1995	1996
Agriculture, Forestry and Fishery Products	2,103	1,879	2,225	2,340	3,197	2,965
01-Agricultural Products	1,474	1,316	1,512	1,654	2,202	2,389
02-Livestock	366	346	435	356	556	135
08-Forestry Products	10	10	11	9	9	12
09-Fishery Products	253	207	267	322	430	429
Mining and Mineral Products	4,716	4,510	4,354	4,846	6,032	7,540
10&12-Metallic Ores/Coal	73	43	27	63	151	108
13-Crude Petroleum/Natural Gas	4,451	4,334	4,238	4,672	5,730	7,310
14-Nonmetallic Minerals	191	133	89	112	151	122
Manufactured Products	22,143	25,892	30,232	39,214	49,555	60,601
20-Food Products	785	830	878	980	1,179	1,372
21-Tobacco	4	3	4	4	6	11
22-Textiles	120	109	119	146	290	480
23-Apparel	1,488	1,958	2,449	2,877	3,673	4,670
24-Wood Products	247	295	322	303	308	400
25-Furniture	664	794	909	1,141	1,217	1,538
26-Paper	123	123	108	139	306	240
27-Printing and Publishing	66	81	74	101	145	188
28-Chemicals	672	806	774	1,056	1,369	1,492
29-Petroleum Refining	180	259	515	331	312	868
30-Rubber	309	340	357	447	598	698
31-Leather	252	320	346	371	433	520
32-Stone, Clay, and Glass	502	541	589	735	813	970
33-Primary Metals	989	1,015	1,192	1,529	2,306	2,664
34-Fabricated Metals	678	788	924	1,119	1,273	1,679
35-Machinery, exc Electrical	1,436	1,756	2,017	3,245	3,915	5,347
36-Electrical Machinery	7,509	8,698	10,090	13,708	16,206	18,260
37-Transportation Equipment	4,738	5,560	6,555	8,264	11,842	15,536
38-Instruments	898	1,073	1,357	1,880	2,332	2,522
39-Miscellaneous Manufactures	484	543	656	839	1,032	1,146
Other Commodities	1,483	1,655	1,857	2,205	2,936	3,073
91-Scrap and Waste	107	148	148	216	378	283
92-Used Merchandise	14	10	20	34	40	17
98-U.S. Goods Returned	1,053	1,168	1,317	1,570	2,032	2,210
99-Miscellaneous Commodities	310	329	372	386	487	563
Total, all commodities	30,445	33,935	38,668	48,605	61,721	74,179

Source: Compiled from the official statistics of the U.S. Dept. of Commerce.

Table 3
Growth Rates of US Imports from Mexico

	1990 to 1993	1993 to 1996
Liberalized Imports	9.2%	22.3%
Non-Liberalized Imports	2.2%	20.9%
Total Imports	6.3%	21.5%

From: Table 4.9 of Hinojosa (1997).

There are a number of conceptual problems in using this criteria to address the effects of the trade liberalizations under NAFTA. In order for the Hinojosa approach to remain valid, it would have to be the case that the nonliberalized sectors did not have greater price elasticities than the liberalized sectors since the exchange rate changes which were implicit in NAFTA would alter the foreign demand for both liberalized and nonliberalized sectors. It is certainly possible that the exchange rate effect on a price elastic product could outweigh the combined tariff reduction and exchange rate effect on a price inelastic product. That the price elasticities did not have this perverse attribute was not demonstrated by Hinojosa. This requirement is necessary even within the confines of a comparative static experiment as might be performed within a general equilibrium model. In addition, the Hinojosa empirical evidence uses not comparative static derived data but actual time series data which introduces yet another major consideration. It must also be the case that other factors were not operating unequally on the liberalized and nonliberalized sectors. Hinojosa attempts to control for this by showing that prior to the NAFTA the liberalized sectors were growing at a faster rate than the nonliberalized sectors and the lack of

an increased differential in the growth of these two groups controls for these other effects. Although the above is a useful piece of evidence, it is neither necessary nor sufficient in demonstrating that other factors have been controlled for appropriately.

There are therefore some theoretical weaknesses to the procedure of Hinojosa, but a far more important criticism of their work is that they used an incorrect procedure to define their liberalized and nonliberalized sectors. According to their definitions, liberalized sectors were defined as sectors where the tariff became zero on Jan 1, 1994. The non-liberalized sectors were defined as those where the tariff remained greater than zero on this date. An exception to this rule was for items that were already MFN-free, they were included in the non-liberalized group. This definition, however, seems inappropriate in that it fails to consider that many of the largest tariff reductions were for items that did not actually become free. Their non-liberalized sector is composed of items like fresh asparagus-imported Nov. to Sept (HTS 0709.20.90) where the tariff went from 25% to 15%, and woven fabrics (HTS 5515.13.05) where the tariff went from 42% to 20%, and women's blouses where the tariff went from 34% to 18%. Compare these tariff reductions to some in their liberalized sector which included items like broom material (HTS 1403.10.00) where the tariff went from 0.5% to zero, and live cows (HTS 0102.90.40) where the tariff went from 1.2% to zero. Thus whether an item had a zero or positive tariff in 1994 has little to do with the degree of liberalization that the product experienced. More importantly, however, they fail to consider the fact that almost half of what they term liberalized were already free under the GSP program. Since the MFN-free items were

included (correctly) in the non-liberalized group, these GSP items should be in that group also. Thus, their definition is inappropriate for the way they wish to use this information and even given their definition they have incorrectly placed items in the wrong groups.

IV. 1996 DUTY STATUS BY 1993 DUTY STATUS

In an attempt to redo the exercise of Hinojosa using the correct data, the duty status of each item in 1996 is related to its duty status in 1993. The cells of Table 4 provide the value of U.S. imports from Mexico by their duty status in 1993 and 1996. The top row of this table specifies the duty status of items in 1993. The GSP-FR column are those items that were eligible for duty-free entry under the GSP program. Some items that were part of the GSP were ineligible for duty-free entry if entered from Mexico due to the competitive need limits of the GSP program; the GSP-CN column provides data on those items. The next column gives data on items that were subject to the regular MFN column 1 tariff rates in 1993 and is labeled as NO-PREF. Those items that were MFN-free are labeled as MFN-FR. The final column gives a total of the row.

The duty status of items in 1996 are given in the various rows of Table 4. Those items that enter NAFTA-free are on the row labeled as NAFTA-FREE. A number of items have a fixed amount that may enter duty free with the remaining items subject to tariffs which may or may not be lower than the MFN rate; those items are in the row labeled NAFTA-QUOTA. Those items that are subject to the reduced NAFTA duty rate are labeled NAFTA-RATE. The NO-PREF, MFN-FR, and

TOTAL rows are defined as in 1993; for some items that existed in 1993, no duty status for 1996 could be assigned because of changes in the HTS tariff schedule. The top row of each cell gives U.S. imports from Mexico in 1996 and the bottom row gives imports in 1993. For example, the first cell provides import data for items that were previously eligible for duty free entry under the GSP which were eligible for duty free entry under the NAFTA in 1996; imports of these items increased from \$11.7 billion in 1993 to \$23.0 billion in 1996.

Table 4
U.S. Imports from Mexico by 1993 and 1996 Duty Status

1993 1996	GSP-FR	GSP-CN	NO-PREF	MFN-FR	TOTAL
NAFTA-FREE	23,000.9 N 11,720.2	5,891.0 Y 2,644.8	15,137.1 Y 7,534.4	0 0	44,029.0 21,899.4
NAFTA-QUOTA	2.0 N 1.5	1,379.9 Y 1,432.4	1,703.4 Y 724.5	0 0	3,085.3 2,158.4
NAFTA-RATE	17.6 N 3.4	2,136.4 Y 1,776.9	14,611.1 Y 7,068.0	0 0	16,765.1 8,848.3
NO-PREF	0.1 N 0.1	0.0 N 0.4	503.0 N 362.9	0 0	503.1 363.4
MFN-FR	517.3 N 228.9	28.4 Y 31.1	207.5 Y 78.5	9,043.3 N 4,787.2	9,796.5 5,125.7
MISSING	0 0	0 40.3	0 232.3	0 0	0 272.6
TOTAL	23,537.9 11,954.1	9,435.7 5,925.9	32,162.1 16,000.6	9,043.3 4,787.2	74,179.0 38,667.8

Top row of each cell--1996 imports from Mexico; bottom row--1993 imports from Mex.

Hinojosa's definition of liberalized uses the top row of data while all the other rows were non-liberalized. Since the GSP items were already free before NAFTA (and had easier rules of origin requirements under the GSP) over half of what Hinojosa defines as liberalized was not liberalized at all. Many of the items that were liberalized such as those in the NAFTA-RATE/NO-PREF cell were incorrectly left out of their liberalized group. Likewise, the non-liberalized group of \$30.2 billion includes over \$20 billion of items that were liberalized. Thus 66% of their non-liberalized group was liberalized. Thus twice as many products (by percentage of value) in their non-liberalized sector were actually liberalized compared to those that were not liberalized, and as the examples above show, in many cases where there was liberalization, the biggest tariff cuts were in their non-liberalized sector.

The cells that were liberalized are given a Y, while those that were not liberalized are given a N. Total imports in the Y cells (liberalized) increased by 93.0 percent from \$21.3 billion in 1993 to \$41.1 billion in 1996. Total imports in the N cells (non-liberalized) increased by 90.4 percent from \$17.4 billion in 1993 to \$33.1 billion in 1996. Thus when correctly done, the contention of Hinojosa that the liberalized sectors have not increased significantly faster than the non-liberalized sectors appears to be true. The problem with this type of analysis, besides the theoretical issues raised previously, is that the amount of liberalization is given no weight in making this assessment. The next section introduces a series of regressions that allow the size of the liberalization to be considered in determining the significance of the NAFTA liberalization and also allows for controlling for a

number of factors that might be expected to have influenced trade in the post-NAFTA period.

V. REGRESSION EXPLAINING POST-NAFTA SECTORAL GROWTH

In order to demonstrate that there has been a significant alteration in the sectoral structure of U.S. imports from Mexico between the pre-NAFTA and the post-NAFTA period several regression and correlations were performed. Throughout the analysis the variable of interest (i.e. the dependent variable in the regressions) is the growth in U.S. imports of the item during the post-NAFTA period (**PostGrowth**) and is defined as the percentage growth between 1993 and 1996 in U.S. imports from Mexico for that item. In order to make percentage increases more symmetric (linearly equivalent) to decreases, the change in imports between 1993 and 1996 is divided by the average level of the two years. Thus this variable can vary between -200 and +200. Two variables expected to be related to this variable are the change in the duty rate (**RateChange**) for that item, and the growth of U.S. imports for that item from all other countries between 1993 to 1996 (**TotGrowth**). The TotGrowth variable uses the same averaging procedure as the PostGrowth variable.

There are a number of complications in determining how to define the change in the duty rate of an item. The legal ad valorem tariff rate for an item as specified in the HTS Schedule can give a misleading picture about the true nature of liberalization. For example, if the item had previously entered under the HTS 9802 provision (the U.S. offshore assembly provision) and had therefore been taxed on only a small portion of the Mexican value-added, the actual change in the tariff

schedule would give an exaggerated measure of the true reduction in the tax. Likewise if some of the imports were able to satisfy the requirements for entry under the Generalized System of Preferences (GSP) and some were not, it would not be appropriate to use the MFN tariff rate nor appropriate to consider it free. Thus for a number of reasons including those cited above, a better measure of the tariff rate is to determine the actual average tariff paid on the item. Thus the tariff rate for an item is defined as total tariffs paid divided by total customs value for each year; the RateChange variable is thus defined as the difference between this calculated tariff rate in 1996 minus the 1993 rate. For most items this variable is negative but there are a number of items where it is positive. There are several reasons for these positive observations but since most of the items in this category previously entered duty free under the GSP, the primary reason appears to be stricter rules of origin under the NAFTA relative to the GSP.

For some commodities, especially certain agricultural items, the NAFTA created a tariff-quota structure where a certain amount is allowed to enter free (assuming the rules of origin and other NAFTA provisions are met) but anything above that amount was subject to tariffs which may or may not be below the regular MFN rate facing other countries. For these items, the calculated tariff would underestimate the tariff on the marginal imports and the RateChange variable would overstate the tariff liberalization for those items. Thus a dummy variable (Quota) is created for items that are subject to these constraints; this variable would be expected to have a negative sign since the presence of these higher marginal tariffs would

result in less growth in imports than what would be suggested by the RateChange variable.

Two variables related to the relative success of Mexico exporting into the United States before NAFTA are also considered. The percentage growth in imports from Mexico during the 1991 to 1993 period (PreGrowth) is added to control for time trends prior to NAFTA. The Mexican share of total U.S. imports of an item in 1993 (MexShare) also serves as a measure of how competitive Mexico was in exporting prior to NAFTA.

The analysis was done at three levels of aggregation. The least aggregated used products defined by the 8-digit HTS code which is the level specified in the tariff schedule. The advantage of using data at this level of aggregation was that there were over 2,600 observations and all items within a category were subject to the same tariff rate on their dutiable portion (that does not mean all items actually paid the same tariff rate since some entered under different provisions). The disadvantage was that not all of the trade data could be used since changes in the HTS schedule meant that some observations in one year could not be matched up one to one with observations in the other years.

The regressions also used 3-digit and 4-digit SIC data. These had the advantage of using all the trade data with the disadvantage of fewer observations -- 153 for 3-digit and 397 for 4-digit. In addition, since the SIC data aggregates items subject to different tariff rates, shifts within an SIC between items could potentially distort the interpretation of the results. Unfortunately, not all of the data was

available to allow all of the variables to be calculated for each of the three regressions.

Statistical significance for the parameter estimates is signified by ** if at the 95 per cent level and *** at the 99 percent level. All of the estimated coefficients are statistically significant at the 95 percent level or above except the tariff-quota variable, and each estimated coefficient has the same sign in all three regressions. Clearly, the tariff reductions which occurred between 1993 and 1996 have increased the percentage growth rate for the affected imports. Also the percentage change in U.S. imports from all sources is positively related to the percentage increase in

Table 5
Regression Results Explaining the Growth in Sectoral Post-NAFTA Imports

	RateChange	TotGrowth	PreGrowth	MexShare	Quota
HS8 Coefficient	-4.318	----	-0.2370	----	17.272
T-Statistic	7.79***		12.18***		1.03
R-Square=0.08					
SIC4 Coefficient	-3.062	----	-0.108	-0.702	----
T-Statistic	2.30**		2.09**	2.98***	
R-Square=0.05					
SIC3 Coefficient	-7.94	0.513	-0.164	-0.696	----
T-Statistic	4.53***	3.91***	2.00**	2.20**	
R-Square=0.18					

imports from Mexico during the 1993 to 1996 period. What is somewhat surprising is that the two variables which proxy to some degree Mexican "success" in exporting to the United States in the pre-NAFTA period are negatively related to success in the post-NAFTA period. The larger the growth rate prior to NAFTA, the lower the

growth rate after NAFTA. Also, a large market share for Mexico before NAFTA is negatively related to the growth in imports from Mexico after NAFTA. What these results suggest is that there has been a fundamental shift in the factors which have affected the sectoral growth rate of imports since 1994. These results then are completely counter to the contention of Hinojosa who has stated that the post-NAFTA pattern of sectoral growth was similar to the pre-NAFTA pattern. Note that the quota variable was not significant and that although the coefficients were statistically significant for the other variables, the R-squares were quite low which means that there is a lot left unexplained by the factors considered here.

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