



# The Impact of the Renegotiation of United States–Mexico–Canada Agreement (USMCA) on the Agricultural Exports of Sinaloa State of Mexico

**José G. Vargas-Hernández\***

University Center for Economic and managerial Sciences, University of Guadalajara

**Icela Flores Osuna**

Facultad de Ciencias Sociales Universidad Autónoma de Sinaloa

**Omar Vargas-González**

Tecnológico Nacional de México - Instituto Tecnológico de Ciudad Guzmán

\*Corresponding Author: [jvargas2006@gmail.com](mailto:jvargas2006@gmail.com)

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## Research Article

### Abstract

**Purpose:** Mexico, like other countries, invested in measures to attract foreign direct investment to its territories. It, therefore, signed the North American Free Trade Agreement (NAFTA) in 1994, a treaty that facilitated Mexico to be the largest direct exporter to the United States. However, in 2018 the agreement was renegotiated and replaced with United States–Mexico–Canada Agreement (USMCA). This research is carried out to determine the advantages and disadvantages of renegotiation for Sinaloa's agricultural exports, with the question of whether it would negatively impact the Sinaloa's agricultural exports.

**Methods:** The study focuses on the impact of renegotiation of the NAFTA on agricultural exports of the state of Sinaloa with indicators such as the Exports-Trade, GDP, and GDP Per capita of Mexico, opening to new markets, and logistics.

**Results:** The renegotiation has a direct relationship with agricultural production in Sinaloa, with a serious negative effect, since overproduction would be created if the new destination for exporting from Sinaloa was not quickly available.

**Implications:** This research can be of much use to the main agricultural exporting companies in Sinaloa, government agencies, and the Sinaloa Chambers of Commerce for decision making and policy formulation.

**Keywords:** Renegotiation, NAFTA, USMCA, T-MEC, Exports, Sinaloa, Mexico.

## 1. Introduction

Eduardo Galeano's book, "The Open Veins of Latin America" stipulates the phrase: *The people who buy rule, the people who sell served; trade must be balanced to ensure freedom; the people who want to die, sell to only one person, and the people who want to save sell to more than one* (Galeano, 1970).

The regional agreement called the North American Free Trade Agreements (NAFTA) signed between the governments of Mexico, Canada, and the United States in 1992 that entered into force in 1994, to create a free trade area, at a reduced cost for the exchange of goods between the three countries. It has been recently renegotiated as the United States–Mexico–Canada Agreement (USMCA). In Mexico, it is called Tratado entre México, Estados Unidos y Canadá (T-MEC). President Donald Trump is in a renegotiation crisis due to the entry into power of the government of the United States, who proposed to rearrange the rules established in the treaty with faithful benefits in his favor and if not, announced the departure from the agreement. This has not yet been finalized, but there is in Mexico a wave of uncertainty about what would happen to its exports since it is the main supplier of raw materials and a variety of merchandise to the United States.

Therefore, it is of utmost importance to investigate and determine the impact of the renegotiation of the T-MEC on Sinaloan agricultural exports, a state called "the granary of Mexico" for its wealth in crops and which has earned the first place of exploitation of these raw materials to be exported to the neighboring country, the United States. That is why this research work is aimed to determine the advantages and disadvantages of production, trade, and distribution network that will prevail after the renegotiation. Taking as indicators, the possible departure from the United States, Mexico's exports and trade, the gross domestic product (GDP), GDP per capita, and transportation logistics for export shipments.

## 2. Background of the problem

In 1994 the North American Free Trade Agreement (NAFTA, now T-MEC) entered into force, an innovative treaty aimed at opening and expanding the North American market. Since then, the NAFTA has systematically removed most of the tariff and non-tariff barriers to trade and investment between Canada, the United States, and Mexico, leading to the establishment of a stability and confidence framework for long-term investments. The T-MEC was preceded by the Canada-United States Free Trade Agreement (EXPANSION, 2017, p. S.p). Currently, a series of changes have emerged in the decisions of the governments involved in the T-MEC, mainly the United States, therefore it is of utmost importance to research a viable investigation about the impact of the renegotiation on Sinaloa exports since the state Sinaloa has earned the nickname of being the breadbasket of Mexico for the large number of raw materials that the state produces. It is the number one state in supplying its agricultural products to the neighboring country (United States). That is why the present project is delimited in a spatial way to firmly base ourselves on determining the advantages and disadvantages that by the renegotiation of the T-MEC were implemented in agricultural exports of Sinaloans. Mexico, like other countries, invested in measures to attract foreign direct investment to its territories. Consequently, in 1994 it signed the NAFTA (North American Free Trade Agreement), with the United States of America and Canada, a treaty that placed Mexico as the largest direct exporter to the United States, a country that will possibly exit the treaty by

renegotiating the T-MEC. Therefore, it is important to carry out this research to determine the advantages and disadvantages that for the above mentioned were implemented in Sinaloa agricultural exports, which is one of the main export productions and source of employment for many Sinaloans, it is expected that, if the renegotiation was not feasible for Mexico, it may have to abandon the treaty.

### **3. Research objectives**

Main objective: To determine the advantages and disadvantages of renegotiating the T-MEC based on Sinaloa's agricultural exports.

Specific objectives:

- a) Determine production in Sinaloa's agricultural exports based on the renegotiation of the T-MEC
- b) Determine trade in agricultural exports from Sinaloa based on the renegotiation advantages of the T-MEC
- c) Determine the distribution network in Sinaloa's agricultural exports based on the disadvantages of renegotiation of the T-MEC

### **4. Theoretical-empirical review of the literature**

According to the classic free trade theory developed by David Ricardo, all countries win when they participate in a free trade zone. Theoretically, the idea that each country should specialize according to its comparative advantages has some logic (Dillon, 1991). The T-MEC drives economic growth and dynamic trade stimulates investment and at the same time creates productive alliances, adapts to small and medium-sized companies in a framework of fairness and certainty. T-MEC partners promote environmental protection and offer greater job opportunities in North America. (Audley, Demetrios, Papademetriou, Polaski, and Vaughan, 2003). After the declarations of Wilbur Ross, Secretary of Commerce of the United States, on "a sensible negotiation" of the North American Free Trade Agreement, experts see measures in the position of that country. The Secretary of Commerce of the United States, Wilbur Ross, seems to have given the T-MEC a breather, after having said in an interview with the NBC network that a "sensible" renegotiation of the treaty would strengthen the weight, experts agreed (El Financiero, 2017).

"(This statement) indicates that not only (Trump) is taking a negotiating stance, it indicates that this stance, this softness, reflects the broad consensus that exists in the US, at least among companies, that there are great benefits for both countries (with the T-MEC)," said David Shirk of the University of San Diego. On this side of the border, the analysis is similar; For Jessica de Alba, a researcher at the Anahuac University, this first warning from Ross is positive. It is a positive and encouraging reaction in terms of investments and free trade in North America (El Financiero, 2017).

For Ernesto O 'Farrill, president of Bursamétrica, Ross's comments indicate that in the US they are willing to modernize the trade agreement and not abandon it. "The statements are far from the initial position that Mexico was going to bend in the T-MEC negotiation, and threatened to

leave unilaterally. The statements are showing that the T-MEC is alive and can undergo a modernization process," he assured. The decision to strengthen the Mexican peso may have the objective of preventing Mexico from having an unfair advantage, in order to reduce its currency appreciation. Which, in turn, means that the United States wants to continue trading with the country, added O'Farril. He explained that the third line of action focuses on discovering ways to raise wages and improve the living conditions of Mexican workers (El Financiero, 2017).

With this, it is understood that it can be a measure to discourage migration to the northern country. For ranchers, the situation shows an opening gesture. "(Washington) has made it clear that they are clear today of negotiating the treaty and that this is convenient for us. In this situation that we have a sensible dialogue on foreign trade, we applaud and congratulate it because it is what our countries require", said Rogelio Pérez, director of Mexican Beef, the exporting branch of the Mexican Association of Livestock Fattening (AMEG) (El Financiero, 2017).

However, Shrik warned that while it may be perceived that the balance is now tilting more on the side that the T-MEC will be maintained, it should not be thought that what a cabinet member says is precisely the same as Trump thinks because a constant in the little more than 40 days that Trump had been in office is the uncertainty in his relationship with Mexico. "We don't know who we're going to wake up with tomorrow," Shrik said, referring to Trump's fickleness. In contrast, Arturo Pérez Behr, president of the National Association of Importers and Exporters of the Mexican Republic, expressed caution before Trump's comments (El Financiero, 2017).

"The fact that there is talk of renegotiation, and no longer a cancellation of the T-MEC, is a positive issue, the threat issues are decreasing, it is a good way, but that does not mean that we no longer have to be on the lookout for statements that President Donald Trump makes, hopefully, that is already the speech of the government in general," he said. He explained that Asian countries such as China have taken advantage of what the T-MEC establishes legally, so it cannot be considered as abuse. "We have to advocate for our country, whatever suits Mexicans," he added. (El Financiero, 2017)

#### **4.1 Agricultural free trade: theory and reality**

In a bilateral FTA, it is not feasible to negotiate internal aid because it is impossible in practice to identify which products enter a country with aid and which do not. Therefore, domestic aid will not be negotiated in this treaty with the United States (Mypimes, 2017). Today there is a consensus regarding the benefits of the economic integration of nations. Free trade is good because it allows access to a greater number of goods and at lower prices, which should increase social welfare. It allows access to cheaper inputs and capital goods, which should increase the competitiveness of the productive sectors that add value.

Free trade promotes the efficient allocation of resources because price signals are not distorted: when there is a shortage of a good, its price rises and producers receive the signal to increase supply (and consumers to reduce demand); when there is an abundance of a good, its price falls and producers receive the signal to reduce supply (and consumers to increase demand) (Mypimes, 2017).

Finally, from a macroeconomic point of view, opening the current account of the economy is equivalent to opening the economy to the savings of the rest of the world. However, the reality of international trade, in the specific case of the agricultural sector, is far from that first best theoretician called free trade. Why? To resolve this question, it is necessary to understand that the agricultural sector is special and different from the other sectors of the economy and that the conservation of agricultural activities translates into a benefit for all of society. When a product is purchased from a peasant, not only the product itself is received, but also the lawful and peaceful occupation of the national rural territory (Mypimes, 2017).

In other words, in addition to a product, peace and tranquility are also received from the peasant in the countryside and, therefore, peace and tranquility in the cities. Of course, this positive externality for society would never be reflected in the free market price of agricultural products. But since societies value this positive externality, we then accept distortions in the price of some products in the agricultural sector in order to make them economically viable and profitable for farmers (Mypimes, 2017).

In practice, international trade in the agricultural sector suffers from four types of distortions or barriers.

First, there are the tariff barriers. These include ad-valorem tariffs (percentage of the price of the good), specific tariffs (a certain value on the price of the good), quotas (import quotas).

Second, there are the non-tariff barriers, whose restrictive effects on trade are in many cases greater than the tariff barriers. Among these types of distortions, the sanitary technical and Phyto / zoo standards that are imposed for the importation of products stand out.

Third, we have export subsidies. Given their fiscal capacity, developed countries prefer to protect the rural sector with domestic aid and export subsidies.

Developing countries have to resort to tariff barriers to protect our rural producers. It is very important to keep in mind that what is negotiated in an FTA is border support (tariffs). The reason is simple. In a bilateral FTA, it is not feasible to negotiate internal aid because it is impossible in practice to identify which products enter a country with aid and which do not. Therefore, domestic aid will not be negotiated in this treaty with the United States (Mypimes, 2017).

First, because, just as the United States cannot negotiate in this treaty the internal aid that its producers receive.

Second, because as the Democratic Security policy progresses successfully and the defeat of the narco-terrorist threat becomes more evident, there will be considerable and increasing increases in employment and national agricultural production.

Third, because of E.U., it is the main commercial partner of Colombia. In effect, it receives 40 percent of our agricultural exports and our trade balance with the said country has a surplus of 500 million dollars (approximately 1,100 million dollars of exports against 600 million dollars of imports).

Fourth, because the United States is the richest market in the world. It is made up of 300 million consumers with an average annual income of \$ 30,000 per person.

Fifth, because the United States is a protected market, and therefore a high-price market for many agricultural products.

Sixth, because if we do not negotiate and sign the FTA, we lose preferential access to the United States market at the hands of our competitors who have already signed an FTA with that country (Central America, Chile, Australia, etc.).

Seventh, because the signing of the treaty is the way to perpetuate beyond 2006 the benefits and job creation attributable to the preferences that the United States grants us with the Atpdea.

Eighth, because as security, technological development, and advances in infrastructure (irrigation and roads) generate increases in the productivity of the agricultural sector, the profitability of agricultural activities will increase (Mypimes, 2017).

#### **4.2 Empirical reviews of the literature**

In 1994, the North American Free Trade Agreement (T-MEC) enters into force, creating one of the largest free trade zones in the world and establishing the basis for strong economic growth and greater prosperity for Canada, the United States, and Mexico. For 15 years, the T-MEC has demonstrated how free trade contributes to increased wealth and competitiveness by providing true benefits to families, farmers, workers, manufacturers, and consumers. (NAFTA de hoy, 2017).

The North American Free Trade Agreement (T-MEC) is a regional agreement between the Government of Canada, the Government of the United Mexican States and the Government of the United States of America to create a free trade zone (Secretariado del TLCAN, 2014). The North American Free Trade Agreement (NAFTA) or the United States, Canada, and Mexico Agreement (T-MEC) is the set of rules that Mexico, the United States, and Canada agree to sell and buy products and services (Castro, 2008).

Export is to send national or nationalized goods for use or consumption abroad" (Minister of Foreign Affairs and Cooperation, 2017). Exports are sent abroad to obtain plant products through knowledge developed by man, destined to cultivate the land. The production sent abroad from the primary sector that uses cultivation as its main activity obtains raw materials.

#### **4.3 The contextual framework of exports in Sinaloa**

According to data from the SEDECO COFOCE information system, in Sinaloa at the end of 2015, the agro-food and agriculture sectors contributed 62 percent of total exports in the State. According to this source, the main exporting company in Sinaloa is Sukarne SA de CV Grupo VIZ, with a participation of almost 28 percent of total exports. Followed by the auto parts company located in the city of Los Mochis, Dephli de México SA de CV, and Envases Universales de México which is in Mazatlán and the agro-industrial sector Citrofrut and Conservas La Costeña, with operations in Rosario and Guasave. The existing companies at the end of 2015 registered in this system were 607 exporting companies (CODESIN, 2017). See table 1 below.

**Table 1: Companies registered in this Sinaloa export system (as of 2015)**

NUM	COMPANY NAME	EXP ENE - NOV 2015 (USD)	SHARE
1	SU KARNE SA DE CV GRUPO VIZ	\$ 706,613,325.39	27.64
2	DELPHI DE MEXICO SA DE CV	\$ 190,609,983.35	7.46
3	ENVASES UNIVERSALES DE MEXICO SA DE CV	\$ 121,929,090.41	4.77
4	CITROFRUT	\$ 91,670,524.68	3.59
5	CONSERVAS LA COSTEÑA	\$ 90,508,024.29	3.54
6	TERRA WEALTH TRADER SA DE CV	\$ 81,213,869.37	3.18
7	COMPAÑIA MINERA PANGEA SA DE CV	\$ 69,077,770.88	2.70
8	BIOPARQUES DE OCCIDENTE	\$ 54,389,001.85	2.13
9	CEUTA PRODUCE SA DE CV	\$ 46,667,563.19	1.83
10	GRANOS LA MACARENA	\$ 43,010,555.81	1.68
11	GENERAL BRANDS MANUFACTURAS DE MEXICO, S.	\$ 36,893,112.75	1.44
12	GRANEROS UNIDOS	\$ 34,534,093.89	1.35
13	PRODUCTORES DEL MAR DE MEXICO	\$ 32,790,797.17	1.28
14	AGROINDUSTRIAS DE ANDAR DE DELICIAS SA DE CV	\$ 28,883,344.55	1.13
15	EXPORTALIZAS MEXICANAS SA DE CV / RENE PRODUCE	\$ 25,718,963.07	1.01
16	AGROEXPORTADORA DEL NOROESTE SA DE CV	\$ 24,127,318.57	0.94
17	VALORES HORTICOLAS DEL PACIFICO SA DE CV	\$ 22,847,270.70	0.89
18	CONDUCTORES TECNOLOGICOS DE JUAREZ SA DE CV	\$ 22,696,553.50	0.89
19	INDUSTRIAS MARINO SA DE CV	\$ 21,622,249.26	0.85
20	EXPORTADORA AGRICOLA SACRAMENTO SA DE CV	\$ 21,562,663.95	0.84

Source: CODESIN Sinaloa Council for Economic Development (2015).

In 2016, 14 countries opened their markets to receive, some for the first time, others after certain limitations, animal products from Mexico. As a result of the negotiations of sanitary protocols carried out by SAGARPA with the authorities of 14 countries and the European Union, the opening of markets was achieved in 2016 for 18 Mexican products, nine of animal origin and nine vegetables, explained the federal agency. Due to the negotiations that were carried out through the National Service of Health, Safety and Agro-Food Quality (Senasica) with various nationals, the prohibition to export pathogen-free eggs and egg products to the European Union was lifted and the market for Mexican honey reopened in Saudi Arabia (Torres, 2017).

Agro will have a privileged place in any negotiation: SAGARPA Regarding products of plant origin, since last year, Mexico has exported blueberry to China; table grape from Sonora to Australia; tomato seedlings to the United States and sugar cane (in vitro or hardened) to Peru. In addition to sorghum brushes to Chile; stevia plants to Guatemala; corn seed to Ecuador; Chili seed to Portugal and amaranth grain for consumption in the neighboring northern country, Turkey, and the European Union (Torres, 2017).

According to information from SAGARPA, this year it is expected to expand the offer of Mexican products abroad, for which talks have already started with health services from more than 15 nations. About 13 Mexican products of Mexican origin are expected to "step on" the land of countries such as Russia, China, Indonesia, Iran, Singapore, Vietnam, Taiwan, and Japan for the first time (Torres, 2017).

### 5. Materials and Methods

It is an exploratory investigation, its primary objective is to facilitate a greater penetration and understanding of the problem that is faced. It is analytical because it is descriptive and is more linked to statistical and control data, in order to generate a hypothesis about what happened, or to occur, predict failures or events. And of an empirical type since it is based on experimentation or observation (evidence). Figure 1 identifies the dependent and independent variables used in the study.

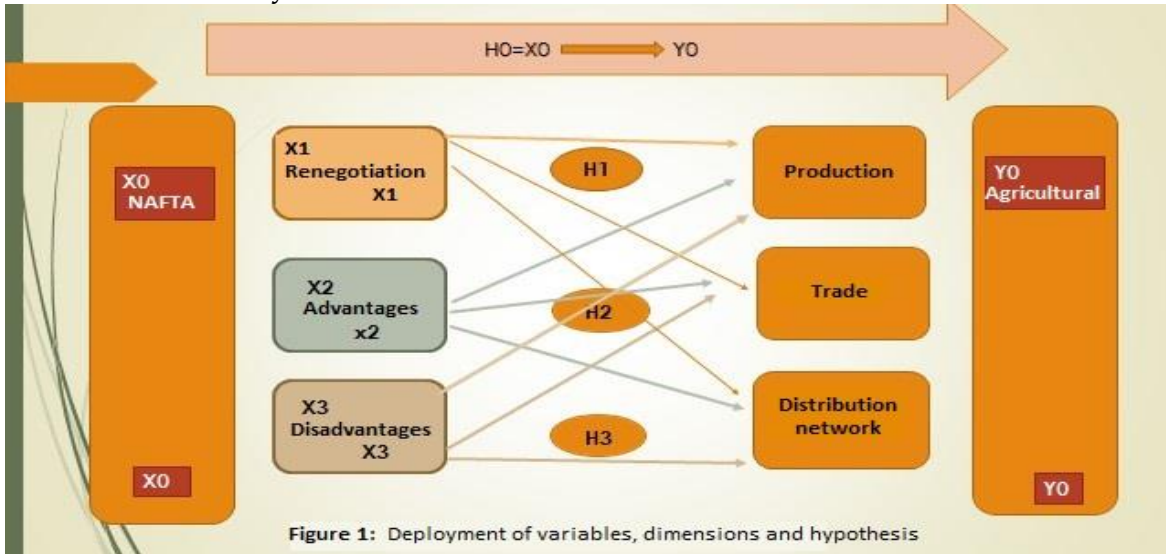


Figure 1: Deployment of variables, dimensions and hypothesis

Fig. 1: Research construct

The study focuses on the impact of renegotiation of the NAFTA on agricultural exports of the state of Sinaloa with indicators such as the Exports-Trade, GDP, and GDP Per capita of Mexico, opening to new markets, and logistics.

### 6. Data analysis

#### 6.1 GDP growth rate

The Mexican economy grew 2.9 percent at an annual rate in the first quarter of 2016, according to preliminary figures from the National Institute of Statistics and Geography (INEGI).

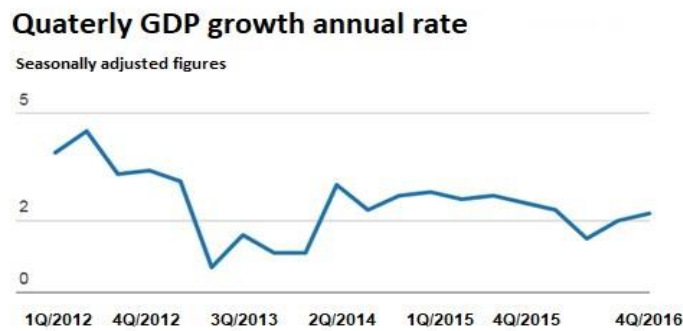


Fig. 2: Quarterly GDP growth annual rate

Source: El Financiero (2017)

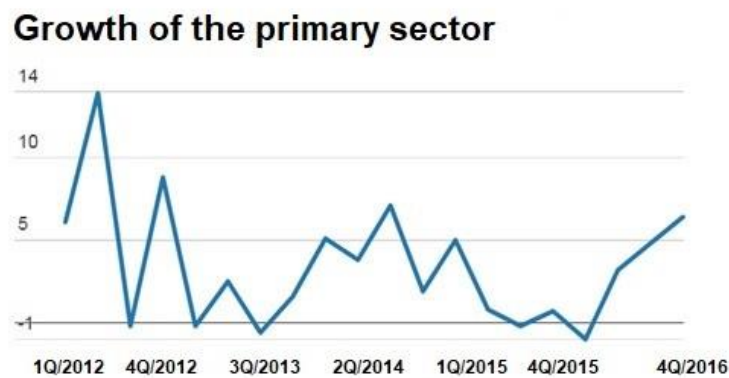


This advance represents the best first quarter for Mexico since 2013 and the highest quarterly growth since the second quarter of 2014.

### 6.2 Growth of the primary sector

While the primary activities, that is, those related to agriculture, advanced 3 percent at the annual rate, surpassing the 2.9 percent advance that occurred last year.

GDP per inhabitant represents the economic value of the goods and services generated by a nation that would correspond to each inhabitant if wealth were distributed equitably (BANXICO, 2017) (CONAPO, 2017). The Gross Domestic Product (GDP) is the value of the final goods and services produced by a country during an established period. GDP per capita is the same measure but divided by the population of a country. In 2014, the GDP per capita for Mexico reached its highest level in history, but only two years later, this measure registered a drop of more than 20 percent.



**Fig. 3: Growth of the primary sector**

Source: El Financiero, (2017)

The GDP per capita represents the economic value of the goods and services generated by a nation that would correspond to each inhabitant if wealth were distributed equitably. This implies that, if a country's Gross Domestic Product increases while its population remains stable, then the GDP per capita increases; but if the population increases while the GDP remains constant or decreases, then the GDP per capita will also decrease.

### 6.3 Export logistics

The success of international trade in any country or region an access door is essential that allows the proper transit of goods and services. In Mexico, the port of Veracruz is an example of the country's commercial and industrial development since the 16th century. Today, its importance is indisputable and its challenges are increasingly complex, as the evolution of industrial processes and the type of goods any logistics system. The logistics chain begins with the production of the raw material and ends at consumption centers. In this sense, seaports are nodes in the physical network of maritime transport; and their competitiveness depends on the fact that they are fast, flexible, and safe for international trade and shipping.

According to a study by the Inter-American Development Bank (IDB, 2017) (IDB) on cargo logistics in Latin America and the Caribbean, there are at least three perspectives to consider to understand the importance of the logistics process in an economy: the generator of the cargo (industry), cargo operator (services) and the public policy environment. It is the orderly interaction of these three elements that allows logistics operation costs to be consistently reduced over time.

In the first stage of the expansion, 16,000 million pesos will be invested by the Federal Government, and by the end of the project in 2030, they will have invested 70,000 million pesos, of which 42,000 would be private and 28,000 public. The World Bank (Banco Mundial, 2010) (WB) ranked Mexico, in 2010, in 50th place out of 155 countries with a performance of 3,051. Some consultancies have estimated that logistics costs in Mexico represent 15.3% of the Gross Domestic Product (GDP). The logistics costs of Mexican companies are 10.3% of sales, of which 40% corresponds to transportation costs and 60% to inventories, order processing, storage, and planning of transportation operations management (Market, Real Estate, 2017).

Recently, the federal government and the IDB carried out a study on the National System of Logistics Platforms (SNPL) (National System of Logistics Platforms, 2017), which defined that the system would be made up of 85 logistics platforms, highlighting the investment of infrastructure and services, to increase the efficiency of supply chains. In this context, it can be observed the performance of Mexican ports in recent years. For example, in 2010, commercial imports by sea were 75.2 million tons, and 122.2 million tons were exported to all regions of the world. In 2013, 81.1 million tons were imported and 129.1 million were exported (Market, Real Estate, 2017). This increase was possible because Mexico traded this way, both on the Gulf and Caribbean coast (15 ports) and in the Pacific Ocean (20 ports), the port of Veracruz being the most representative for the manufacturing industry.

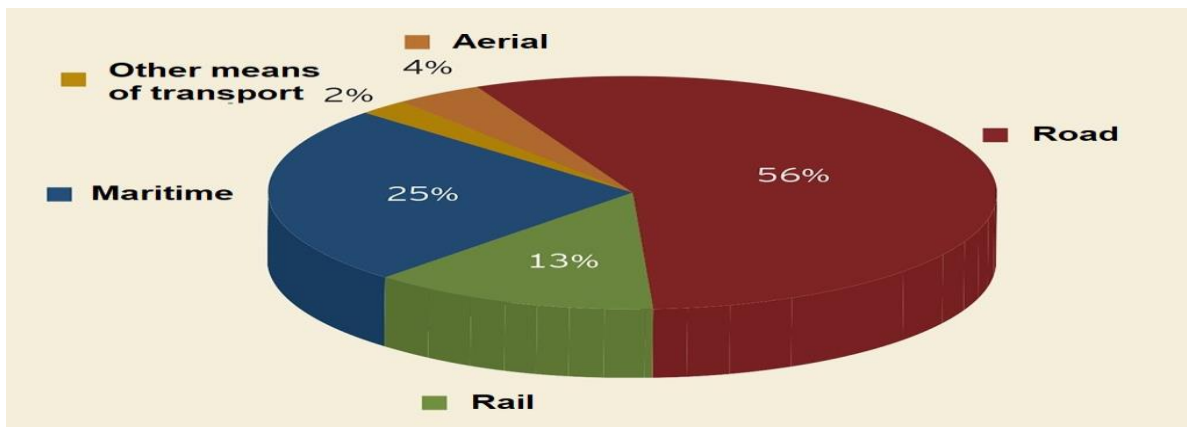
According to the Economic Commission for Latin America and the Caribbean (ECLAC, 20) (CEPAL, 2014), in the ranking of containerized port movements in the 2010 region, the port of Veracruz ranked 18th; and for the first semester of 2013, it was ranked 16. On the other hand, in 2014, according to the study of port technical efficiency, prepared by the IDB, the port of Veracruz occupies the 22nd efficiency site of a total of 63 ports in Latin America and the Caribbean (Market, Real Estate, 2017). The port of Veracruz is the most important commercial port in the country. Through it, 100% of purely commercial cargo transits and the only one that significantly operates the six most important cargo segments nationwide:

Exports registered a decrease of 10.7% when moving 4,730, 856 tons. Trade has as a priority to carry out the expansion of the port because this will promote employment and will boost the economy of the region and the state. The entities where most of these vehicles come from are Puebla, Estado de México, Aguascalientes, Coahuila, Tamaulipas, Nuevo León, and Veracruz. This port is the most representative of the export and import of motor vehicles. According to the following table, the port of Veracruz moves 66% of total vehicle exports by sea (Market, Real Estate, 2017).

In addition, the port of Veracruz, with respect to the movement of vehicles in a roll-on / roll-off, has a performance of 128.8 UHBO (unit of hour ship in operation). Currently, the port of

Veracruz has 48 companies that offer related services for the Mexican State. The development of the maritime-port subsector is key to the economic growth of the country; therefore, the interaction of the private sector and the government is important, and the latter has the task of carrying out public policies in order to strengthen and make it more efficient as well as modernizing it.

In the coming decades, the port of Veracruz will be one of the most important logistical-maritime enclaves in the country and on the Atlantic coast to communicate the central region of Mexico with the markets of the United States and Europe. Likewise, it will connect the national industry with global supply chains, which will allow it to be more competitive and face the challenges of global trade and manufacturing (Market, Real Estate, 2017).



**Fig. 4: Export movements by Mode of transportation, Mexico 2013**

Source: Market, Real Estate 2017.

In this pie chart, it is made clear that the most used transportation in Mexico for 2013 is by land, followed by sea.

The three products with the highest export of Sinaloa are Tomato, Corn, and wheat. Sinaloa Exports Of the total Sinaloan exports to other countries, 82.5 percent corresponds to sales to the United States market. In income, this represents 8.9 percent of the State Gross Domestic Product. During 2014, Sinaloa exported products for about 770 million dollars, which represented 0.2 percent nationally. The main shipments were tomato, chickpea, beef, fish oil and flour, shrimp, squid, and tuna. The North American Free Trade Agreement (T-MEC), which the United States intends to renegotiate, has represented a 339 percent growth in the value of Mexican exports to the United States since its implementation.

Nationally, more than 80 percent of exports go to the United States. This represents a high dependency on the country's productive sectors with the neighbor to the north. And the larger a state's trade with the United States, the greater its vulnerability. Vegetables were the main product in the period from January to June 2010. In the same period, the 10 main imports from the North American market to our country were corn, soy, soy residues, wheat, pork ham, other foods, boneless meat, powdered milk and cream, fructose, and starch waste.

Twenty-two states in Mexico export vegetables to the United States. These exports represented about 583 thousand 795 million dollars, Guanajuato being the leading state. 21 other states imported vegetables from the United States for 23 million 139 thousand dollars. That 2014,

Sinaloa exported vegetables to the northern neighbor for a value of 12 million 139 thousand 433 dollars. In turn, it imported American vegetables for \$ 84,628. Thus, the value of the exports of vegetables from 22 states to the United States exceeds their imports.

The bilateral relationship is key. If the United States market is important to Mexico, the same thing happens in reverse. According to the United States Department of Commerce, Mexico is the second destination for exports from that country with 15.7 percent of the total, preceded by Canada with 18.6 percent and is the third-largest provider, with 13.1 percent of imports, after China, which accounts for 21.5 percent, and Canada, which accounts for 13.2 percent. For example, Mexico is the second commercial partner of the state of Michigan (our country receives 31.03 percent of the total exports of that North American entity). In the case of California, the Mexican market imports 12.53 of the products that that entity sends abroad. For Nebraska, this is 14.53 percent.

#### **6.4 Vegetable exports and imports, Mexico-EU**

It is noteworthy that the US content of Mexican exports to the American market is almost 40 percent of the components of these products, according to the National Bureau of Economic Research. Renegotiation, under the magnifying glass. The announced revision of the Free Trade Agreement draws the attention of the economic sectors of our country. Achieving maintenance and expansion of the agreements is an urgent need for many states highly dependent on the United States market for their exports.

In the case of Sinaloa, this commercial relationship represents 8.9 percent of the state GDP and this is mainly for food. There are other more vulnerable entities. Examples of this are Chihuahua, Baja California, Coahuila, and Tamaulipas. For all these states, exports to the United States represent more than 50 percent of its Gross Domestic Product and, for the most part, are from the manufacturing sector (El debate, 2017).

### **7. Results**

As an analysis of the results of this research, Mexico has quarterly GDP growth at an annual rate in the last three years with a constant 2%, GDP per capita has been increasing until 2014, wherefrom it has been decreasing. The primary sector has been in constant change for 2015, down to minus 1 but for 2016, it has increased up to 6% according to the financier. Mexico's exports to the US have grown by 339% in real terms since the implementation of the NAFTA with less quantity is imported by Mexico from the US which grew by 151%.

Mexico-US trade has been in constant change, it is currently at 81%, in 2014 the Mexican states exported to the United States for a total value of approximately \$583 million, Sinaloa exported \$121 million of which the three main exported vegetables were tomato, corn, and wheat, while Mexico imported a smaller quantity of US vegetables for a total value of \$ 23 million. Sinaloa exports to the US 82.5%. In 2010, the World Bank ranks Mexico in the 55th out of 155 countries with transportation performance, while the economic commission for Latin America ranked Mexico as the 15th in port technical efficiency. According to Yuridia Torres, the financier, Mexico can expand and open its market to new countries such as China, Australia, Peru, Chile,

Guatemala, Portugal, Turkey, Russia, Indonesia, Iran, Singapore, Vietnam, Taiwan, Japan, and the European Union. It would be a greater advantage if the renegotiation of the T-MEC were not to be satisfactory for Mexico.

The general hypothesis stipulates that the renegotiation of the T-MEC has a negative effect on Sinaloan agricultural exports, with the in-depth investigation that was carried out, it is concluded that possibly if the United States decides to exit the treaty, it would greatly affect Sinaloa. As the main export destination to that country with 82.5 percent sales to its market, but this is no longer a fact with greater probability since President Donald Trump is considering renegotiation after the new elections in Mexico in 2018 to further facilitate the procedures that they are necessary and not the final solution, which leads us to conclude that the hypothesis is negative.

Renegotiation together with the advantages and disadvantages has a direct relationship with agricultural production in Sinaloa, with a serious negative effect, since overproduction would be created if the new destination for exporting from Sinaloa was not quickly available.

Renegotiating together with the advantages and disadvantages has a direct relationship with agricultural trade in Sinaloa, it would negatively affect since Sinaloa would be left without its main export destination, but it would have the alternative of opening up to send its products to new countries like China, Peru, Chile, Guatemala, Portugal, Turkey, Russia, Indonesia, Iran, Singapore, Vietnam, Taiwan, Japan, and the European Union, which are countries that in 2016 opened their market to Mexico.

The renegotiation together with the advantages and disadvantages has a direct relationship with the agricultural distribution network in Sinaloa, it would greatly affect the sea and land ports since they are the most popular transportation routes in Mexico, being used more frequently auto transport and later the seaports, the most used being the one in Veracruz.

## **8. Conclusions and Implications**

The study stipulates that the failure to renegotiate the T-MEC is likely to hurt Sinaloan agricultural exports. If the United States decides to exit the treaty, it would greatly affect Sinaloa. It implies that Mexico should not be so dependent on the United States since it can maintain its economy even without its support. It must eliminate prejudices and uncertainties and export its productions to new markets, risking out of their comfort zone to obtain even more favorable results for the Mexican economy. This research can be of great help to the main agricultural exporting companies in Sinaloa, to different secretaries such as secretary of economy, SAGARPA, SEDECO, SENASICA, PROMEXICO, and Chambers of Commerce for decision making and policy formulation.

**Conflict of Interest:** The authors declare no conflict of interest.

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