International Journal of Multidisciplinary and Innovative Research
ISSN(print): 3050-6883, ISSN(online): 3050-6891
Volume 02 Issue 01 January 2025
DOI: 10.58806/ijmir.2025.v2i1n05
Page No: 42-51

The Mexican Economy After The North American Free Trade Agreement

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ABSTRACT

This paper is a macroeconomic analysis whose objective is to describe the performance of the Mexican economy through the results obtained by the North American Free Trade Agreement (NAFTA). The methodological approach is through ordinary least squares (OLS) to establish the degree of influence of different variables and their effects on the evolution of Mexico's GDP. Thirty years after the then NAFTA began, today the T-MEC, has different results. Trilateral trade was greatly increased, significantly increasing intraregional exports and imports; NAFTA led to the synchronization of economic cycles between the three economies and foreign direct investment grew dynamically with a large injection of capital. In contrast, the differences in terms of wages and GDP per capita have not only not narrowed but have even widened.

ARTICLE DETAILS

Published On:
13 January 2025

Available on:
https://ijmir.com/

KEYWORDS: NAFTA, Mexican economy, GDP, inflation rate, external sector.

INTRODUCTION

In recent decades, international trade has shown significant growth, which has led to the emergence of multiple trade agreements in the world, modifying the conditions under which economic activities are normally carried out since, on the one hand, barriers to trade have been reduced, and the arrival of foreign investments and, on the other hand, with the opening of the markets, companies have expanded. Meanwhile, with the growth of international trade, some weak productive sectors have been left unprotected and have not known how to incorporate themselves into this scenario.

This research is within the macroeconomic field based on the analysis of international trade and its impact on economic growth. To this end, the behavior of key variables before and after NAFTA and their level of influence on the performance of the Mexican economy is examined. There is no doubt that the treaty reconfigured the commercial scenario for the three countries, that is, trilateral trade was greatly increased, significantly increasing intraregional exports and imports. In the case of Mexico, exports multiplied by 9.7 times and imports by 7.5 times. Likewise, Canada and Mexico increased their trade surplus with the United States. On the other hand, the share of the United States in imports in both countries increased considerably.

In terms of the Mexican economy, there is a high degree of openness to international trade, but it should be noted that the United States and Canada represent 84% of Mexico's exports, as well as more than 45% of Mexican imports come from one of the two countries, making it the most significant multilateral agreement for Mexico. Therefore, it is important to know whether the impact of this international trade relationship is positive or negative for the national economy. In this sense, this research focuses on the economic field since it facilitates the comparison of macroeconomic indicators with the purpose of explaining the impact of international trade relations and the economic changes of Mexico with the United States and Canada.

This paper evaluates the results of NAFTA and its capacity to promote economic growth in Mexico. For this purpose, in addition to this introduction, this document consists of four parts. The first section presents the behavior of relevant macroeconomic variables that allow us to describe the performance of the Mexican economy before and during the free trade agreement. The second section presents the methodology used through the ordinary least squares model. The third section includes the results of the econometric estimates and the level of contribution of each variable to the growth rate of Mexico's GDP. And in the fourth section, the conclusions and final reflections of the study.

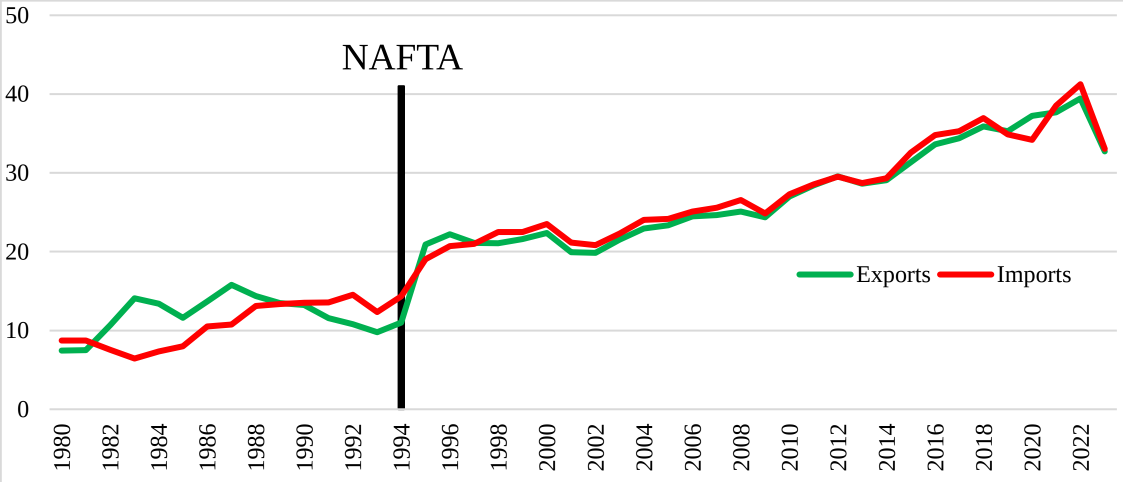
Performance of macroeconomic variables

The external sector

In the paper of Cermeño and Rivera (2016) they present a study of the demand for imports and exports of Mexico in the NAFTA era based on equations that analyze the behavior of imports and exports based on a model of goods with imperfect substitutes using the Johansen cointegration method with monthly data from 1994 to 2014. They demonstrate that, in the period after the entry into force of NAFTA, imports have a positive elasticity with respect to income. This finding suggests that the Mexican economy has maintained its dependence on imported goods during the NAFTA era.

The graph 1 shows the relative importance of Mexico's exports and imports with respect to GDP in the period 1980-2023. There is a significant increase in Mexico's foreign trade since exports increased at a rate of 8.26% annually while imports have a growth rate of 7.90% annually. In terms of the level of contribution of foreign trade to production, there is notable growth throughout the study period since in 1980 imports constituted 8.7% and exports 7.4%. Meanwhile, by 2023 they contributed 33.1% and 32.7% of GDP respectively, due to the implementation of a new growth model promoted largely by exports.

Graph 1. Relative importance of Mexican exports and imports in relation to GDP in the period 1980-2023. In millions of US dollars



SOURCE: Own elaboration based on IMF data: 1980-2023.

A more detailed analysis of the graph shows that before NAFTA, from 1980 to 1993, exports multiplied by 2.8 times and imports by 3.1 times, while since the trade agreement, from 1994 to 2023, exports multiplied by 9.7 times and imports by 7.5 times. As Ramírez (2005) expresses, during the 1980s there were very marked changes in the trade balance, obtaining trade surpluses due, in large part, to the depreciation of the exchange rate and the entry into the GATT (General Agreement on Tariffs and Trade) that promoted an incipient commercial opening. However, this trend was reversed at the beginning of the 1990s, when recurring and growing deficits occurred until leading to the economic crisis of 1994-1995.

It is clear that the expansion of foreign trade since NAFTA is the result of greater regional integration based on the free transit of goods and the reduction or even elimination of tariffs in certain sectors. There is no doubt that the external sector has been one of the factors that has presented the greatest dynamism in recent decades, contributing to the promotion of the production of goods and services in the Mexican economy. In this sense, Jiménez, *et al*., (2014) propose key factors that have allowed said commercial integration: the geographical location based on the existing neighborhood between the countries that reduces transportation costs; complementarity since Mexico is a producer of raw materials and the United States of technologies; the reduction of costs in manufacturing for American companies that are characterized by the extensive use of cheaper Mexican labor and; the export of oil from Mexico to the United States.

Regional trade increased significantly as a result of NAFTA, Mexico's balance with the United States went from being in deficit by around USD $-1,349 million to a surplus of USD $101,400 million, largely supported by the great performance of the automotive industry in Mexico. In this same direction, Canada increased its trade surplus with the United States from USD $13,967 million to USD $26,794 million. Among the main products that Canada exports to the United States, oil, minerals and cement stand out. Without a doubt, the trade agreement between the three countries has led to an increase in regional trade, benefiting different sectors and increasing productivity levels.

Inflation Rates

In Castro's (2022) research, he examines the evolution of monetary policy in the economies that make up NAFTA for the period 1980-2015. Based on empirical analysis, including stylized factual review of monetary variables for Canada, the United States, and Mexico, quality Granger causality tests, and error correction (VEC) models. He shows that the three economies have achieved a process of convergence of inflation with stable and low rates through the coordinated implementation of a monetary policy in the same direction. Additionally, the central banks of the three countries have autonomy to make their own decisions regarding monetary policy, which has contributed to the stabilization of inflation rates.

The table 1 presents the inflation rates of the three North American countries before, during and after NAFTA. In the first period, from 1980 to 1993, the years prior to the trade agreement are considered, the highest rates are observed for the three economies, although the proportion was higher in Mexico. In particular, the external debt crisis greatly affected Mexico during these years, as evidenced by the inflation rate, which reached 159% in 1987, although prices stabilized in the following years, reaching an average of 54.6%. In relation to the period 1994-2006, the first years of NAFTA are considered, Canada and the United States had very stable price levels, while Mexico reduced its average but continued to experience double-digit rates.

Table 1. Inflation rates of Canada, Mexico and United States by analysis periods. In percentage terms.

Period	Canada	Mexico	United States
1980-1993	5.6	54.6	5.1
1994-2006	1.9	12.9	2.6
2007-2018	1.7	4.2	1.9
2019-2023	3.3	5.2	4.0
1980-2023	3.2	22.9	3.3

SOURCE: Own elaboration based on IMF data: 1980-2023.

From 2007 to 2018, which covers the last years of NAFTA, was the period of best performance for the three countries, as the average was very close to the objectives of their respective Central Banks. In the period 2019-2023, the years of the treaty already known as TMEC are taken into account, average inflation increased, affected by the pandemic crisis and an expansive monetary policy, which caused an increase in the general price level. Finally, for the entire period 1980-2023 the results of Canada and the United States are very similar, with average inflation rates of 3.2% and 3.3% respectively, which reflects the great stability of both nations over the years. Meanwhile, the average for Mexico is 22.9%, mainly influenced by the high inflation rates of the 1980s and 1990s.

It is clear that in the 1980s and 1990s the Mexican economy suffered very high levels of inflation, which harmed the purchasing power of its citizens, especially those with the lowest incomes. In this regard, Katz (2002) suggests that inflation hinders economic growth because it is the worst distortion in the economy as it is a regressive tax, indicating that there is a negative relationship between inflation and economic growth. In this sense, Acevedo (2006) rethinks the relationship between both variables by pointing out the existence of a limit in which if the inflation rate is below 8.1% it will have a positive effect on economic growth while if it is higher it will have a negative effect on economic growth.

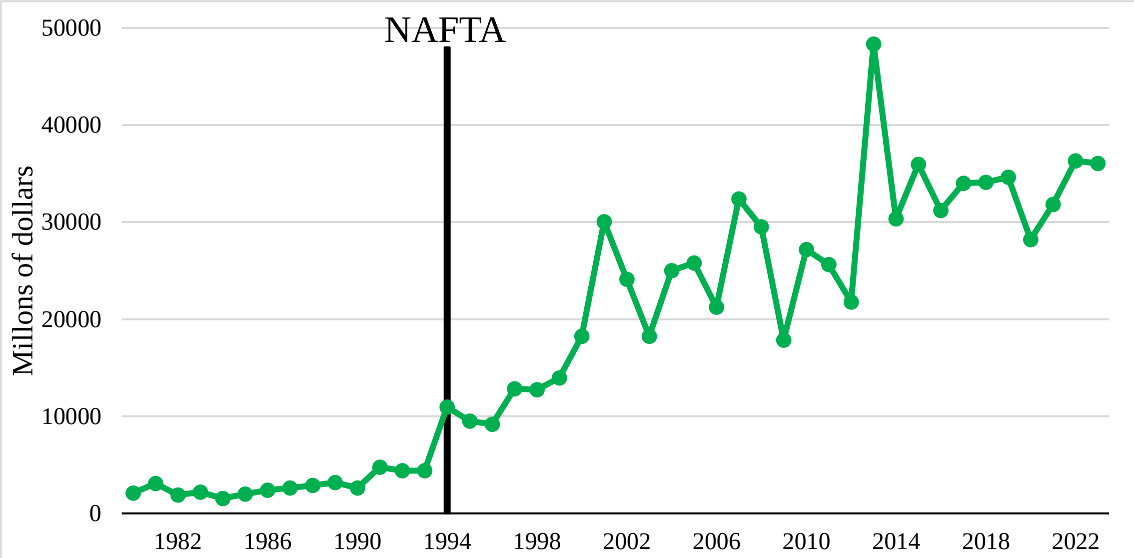
Meanwhile, Mexico's inflation has stabilized in the last two decades, with an average very close to that of its trading partners. This is largely due to the autonomy of Banco de México, which allows it to control price increases through a prudent monetary policy. Vázquez (2020) confirms that the independence of the Central Bank has positive effects on the stability of inflation. However, international prices increased in the years following the pandemic, affecting North American countries. According to Esquivel (2021), this is mainly due to supply shocks caused by the closure of activities that affected the market leading to an increase in prices in inputs and, therefore, in imported products. In addition, changes in consumption patterns affected by the epidemic have adjusted the prices of certain products.

Foreign Direct Investment (FDI)

In the study by Pérez and Reyes (2018) they propose an analysis of foreign direct investment in Mexico within the framework of NAFTA in the period 1990-2014. They apply a multiple regression model with the purpose of determining the level of correlation between various macroeconomic indicators at the state level, including GDP per capita, foreign direct investment, registered homicides, enrolled students and level of debt, finding a positive and significant correlation between FDI vs GDP per capita, such as the case of GDP per capita in Mexico City, Nuevo León and Jalisco in which it was significantly related to FDI.

The graph 2 shows the performance of Mexican foreign direct investment in the period 1980-2023. Until before the implementation of NAFTA, FDI behaved relatively flat since in 1980 an investment of USD $2,090 million arrived while in 1993 it was quantified at USD $4,389 million. Meanwhile, by 2023 FDI reached USD $36,058 million. That is, before the trade agreement, foreign investment multiplied by 2.1 times, while once NAFTA began and until the date of this writing, foreign investment has multiplied by 8.2 times. These data allow us to establish the impact that the regional integration of North America has had through the FDI that has reached Mexican territory.

Graph 2. Evolution of Foreign Direct Investment in Mexico: 1980-2023.



SOURCE: Own elaboration based on data from Banco de México: 1980-2023.

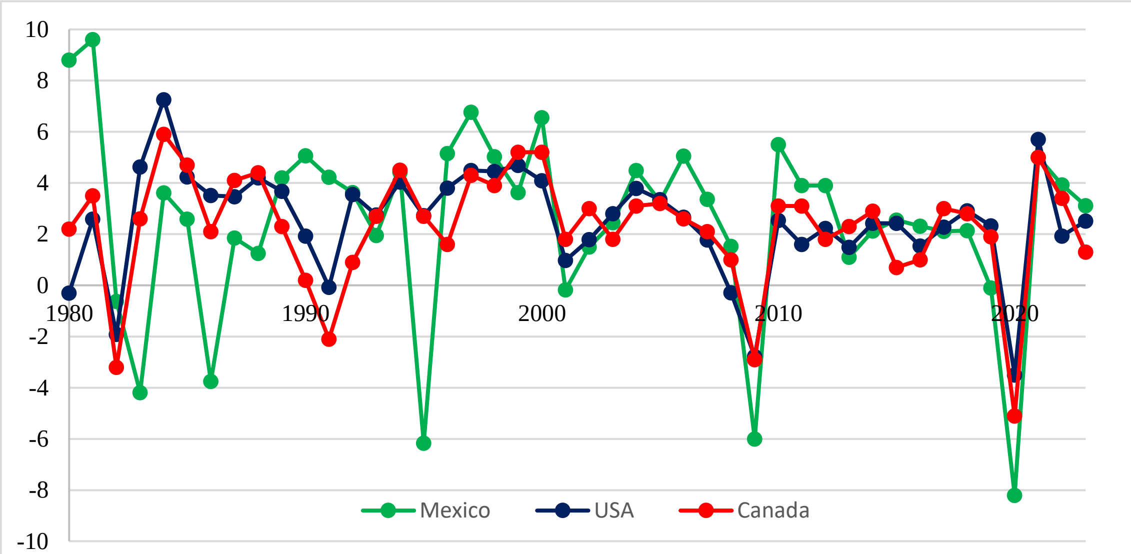
Without a doubt, foreign direct investment constitutes an important foundation for the Mexican economy starting in the era of globalization as it is a driver of various economic sectors (García, *et al*., 2023). That is, if we consider the NAFTA period until 2023, cumulatively, a total of USD $767,255 million has been received in FDI, which is a great economic trigger. Likewise, there is a notable decrease in FDI during the pandemic that quickly recovered in recent years. An interesting aspect to note is that according to data from the Ministry of Economy (2023), trading partners have a great influence on Mexico's FDI since by 2023 the United States contributes 46% while Canada contributes 9%, that is, between them they collaborate with 55% of the total FDI that arrives in Mexico, in this lies the relevance of the trade agreement between the three countries.

Economic growth

In the paper of Ruiz and Moreno (2006) they study the effects of liberalization and the implementation of NAFTA on the Mexican economy in the period 1983-2000, evaluating indicators of production, employment and trade balance through the solution to the model by Leontief. They highlight that the export sector grew rapidly during this period, denoting that advanced export industries grow faster than traditional export industries, which allows them to increase their participation in total exports. However, liberalization notably decreased the integration of the national economy, especially in domestic productive branches. This lost degree of integration was compensated by the importing sector even before the implementation of NAFTA.

Below is a descriptive statistical analysis of the main macroeconomic variables influenced by NAFTA. Graph 3 shows the behavior of the GDP growth rates of Mexico, the United States and Canada in the period 1980-2023. It is noted that before the implementation of the trade agreement, the Mexican economy went through a couple of economic crises in the 1980s called external debt crises, while in the same period the United States and Canada recorded solid growth rates, which shows that the performance of Mexico's economy was not synchronized with that of the United States. As Moreno (1998) expresses it, the external debt crisis was caused by excessive indebtedness accompanied by increases in international interest rates, by the fall in oil prices and by the massive outflow of foreign capital.

Graph 3. Evolution of the annual GDP growth rate of Mexico, United States and Canada in the period 1980-2023. In percentage terms.



SOURCE: Own elaboration based on IMF data: 1980-2023.

The lack of coordination in economic cycles continued in the early 1990s, although in opposite directions: Mexico experienced a boom while the United States and Canada faced phases of recession. The main factors that led to the recession were the strict monetary policies adopted by central banks in response to increases in inflation and the loss of consumer and business confidence caused by the oil price shock of 1990. In the United States it was characterized by persistent weakness in the labor market that spread from manufacturing to commerce (Gardner, 1994). Meanwhile, Canada's economy began to weaken in 1989, manufacturing production fell significantly, slowing GDP growth and causing a large decline in employment.

In contrast, the entry into force of NAFTA led to the synchronization of economic cycles, having the highest growth rates of the three economies in the period 1995-2000. Beyond this, although this relationship in itself does not have a positive or negative implication, the recessions originating in the United States in 2001 and 2008 harmed the growth of both Canada and Mexico, the latter being the most affected, particularly in the global financial crisis of 2008-2009 by registering a growth rate of -6%. Meanwhile, in the Covid-19 crisis, the three countries fell into crisis by registering the largest negative growth rates in recent decades. Therefore, the synchronization of economic activity has been accompanied by large fluctuations and low growth rates in the Mexican economy.

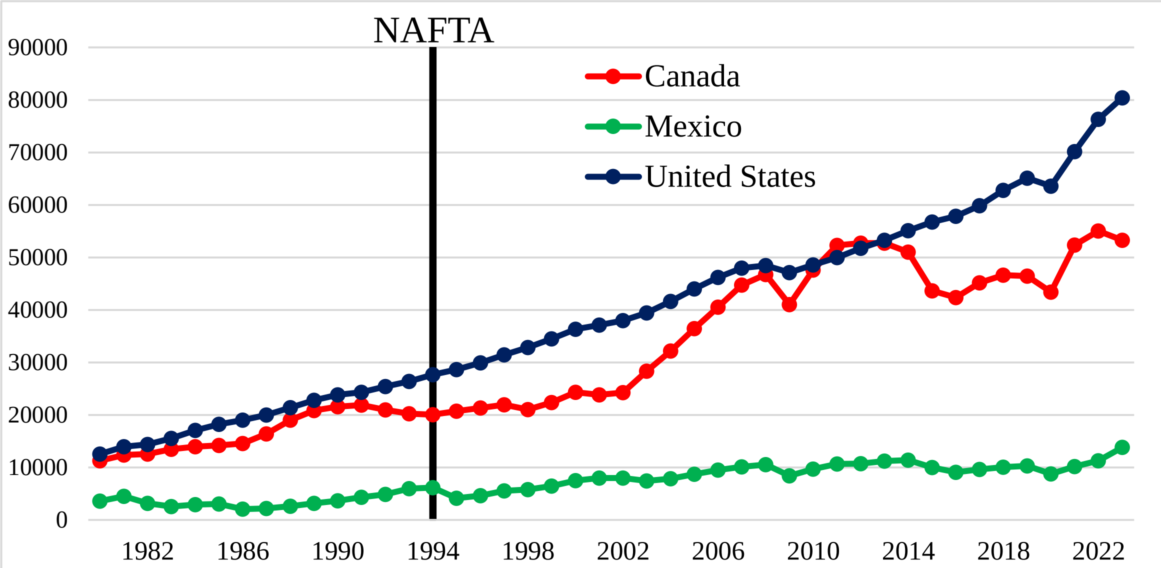
Wellbeing levels

In the research developed by Durán (2014), it is pointed out that with the implementation of the North American Free Trade Agreement (NAFTA), great expectations were projected of achieving increased employment levels, greater investments, which would translate into higher employment rates, GDP growth and, consequently, improvements in the quality of life of the population of the three member countries. However, the results are clearly differentiated, with large increases in regional trade, but without a process of economic convergence in GDP per capita between Mexico with respect to United States and Canada.

The graph 4 shows the evolution of GDP per capita of the three North American economies in the period 1980-2023. The United States strengthened its position in the region by multiplying the average income of its residents by 6.4, from USD $12,553 to USD $80,412, with a growth rate of 4.3% annually in the period. For its part, Canada registers differentiated growth, before NAFTA at a gradual pace while after the trade agreement a greater speed of growth is observed, such that by 2023 it has an average income of USD $53,247. Meanwhile, in Mexico there is a growth in income per person from USD $3,584 in 1980 to USD $13,804 in 2023, although it is evident that this change has been slower compared to trading partners.

Continuing with the analysis of the graph, the following can be expressed. In 1980, Mexico's GDP per capita represented 29% of that of the United States; by 1993 this ratio had fallen to 23%. In this same sense, by 2023 the average income of Mexicans would be 17% of what Americans received. The same happens with Canada, in 1980 Mexico's per capita income was 31% of Canada's while by 2023 it fell to 26%. That said, the gap between Mexico and its northern trading partners has not only not decreased over the years, but has actually increased and; one of the main objectives of NAFTA in its beginnings was economic convergence between the countries of the region and it has simply not been achieved. On the contrary, the levels of well-being of the northern neighbors are much better, so the differences are they have been expanding over the years.

Graph 4. GDP per capita of Canada, Mexico and the United States in the period 1980-2023. In US dollars.



SOURCE: Own elaboration based on IMF data: 1980-2023.

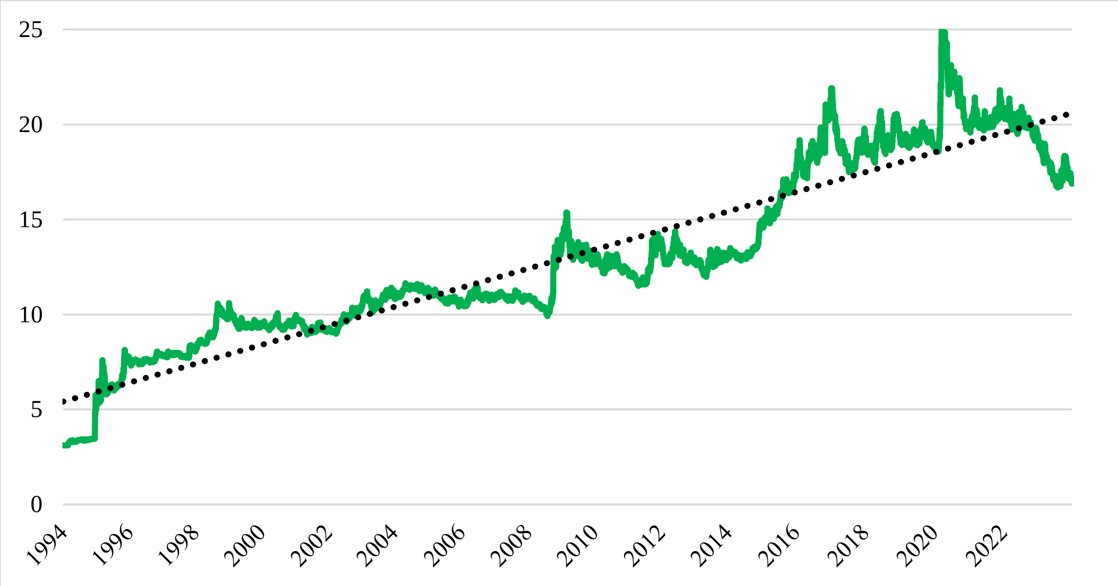
It is clear that the objective should not be only to export, but with its help to promote growth and job creation that translates into better living standards for the population. Paradoxically, sales abroad have not led to Mexican economic growth since the average annual growth rate of GDP per capita during the trade agreement has been lower than the previous stage. The trade surplus with the United States is mainly due to maquiladora and oil production, whose dynamics are independent of NAFTA. And much of the trade surplus takes the form of intra-firm trade between American companies. Three of Mexico's five largest export companies are American auto plants that assemble cars in Mexico to sell them globally, and many of them go to the United States.

Exchange Rate

According to the article carried out by Nájera and de Jesús (2013) they indicate that the value of the peso/dollar exchange rate usually has large variations due to external and internal variables, which makes it more prone to suffer abrupt fluctuations, especially with the massive entry of capitals. They establish that the exchange rate depends on various factors, among which the differential in inflation rates between Mexico and the United States, interest rates in Mexico, and investment in assets stand out. They conclude that the Mexican exchange rate is volatile and that any external economic or financial phenomenon has an impact on its value, due to the weakness of the economy.

The graph 5 shows the evolution of the exchange rate between the currencies of Mexico and the United States from 1994 to 2023. An increasing trend in the value of the exchange rate is observed with marked fluctuations throughout the period, which is indicative of the depreciation of the peso Mexican. Generally, economic crises cause large variations in the value of the Mexican currency. With the "tequila effect" crisis that broke out in 1994 and had serious consequences in 1995, the peso depreciated by 212%, going from $3.43 to $7.28 per dollar. In the following years, affected by the effects of the crisis, the exchange rate continued to increase until reaching $10 per dollar in September 1998. Meanwhile, from 1999 to 2001 there was a slight recovery of the peso by achieving an appreciation, closing with an exchange rate of $9.14 per dollar.

Graph 5. Mexican peso/US dollar exchange rate: 1994-2023. In Mexican pesos.



SOURCE: Own elaboration based on data from Banco de México: 1994-2023.

However, the terrorist attacks of September 2001 in the United States caused the fall of the Mexican peso due to a sharp contraction in exports and remittances, which caused the peso to weaken until reaching an exchange rate of $11.3 per dollar. In the following years, from 2005 to 2008, the national currency experienced another appreciation process, reaching $9.93 per US dollar that was abruptly interrupted by the subprime mortgage crisis of 2009 until reaching levels of $15 per dollar. This is, without a doubt, a testimony to the fragility of the Mexican economy, since although the crisis originated in the United States, the impact on the national economy was greater.

In the following years -2010, 2011 and 2012- the appreciation of the national currency occurred until it reached $11.57 per dollar, which is usually associated with the recovery process after the crisis. However, in subsequent years there were large fluctuations in the exchange rate framed by clear ungovernability during the administration of Enrique Peña Nieto. In particular, incidents related to corruption such as "estafa maestra", "la casa blanca" and the cases of the governors who were arrested. Furthermore, from a social perspective, the disappearance of the 43 students in Ayotzinapa and the escape from prison of drug trafficker Joaquín "el Chapo" Guzmán greatly affected the credibility of the government. Additionally, a notable increase in public debt was generated, going from $5.47 billion in 2012 to $10.82 billion in 2018, causing a large depreciation of the peso and registering an exchange rate of $21.63 per dollar.

With the inauguration of Andrés Manuel López Obrador as president, the appreciation process was very evident as it fell to the levels of $18.65 per dollar at the beginning of 2020. Largely, due to the certainty generated by the overwhelming victory in the elections presidential. However, this stability was altered by the pandemic crisis that caused the stoppage of most productive activities and was followed by intense speculation in emerging market currencies, which pushed the exchange rate to $25 per dollar. This depreciation dissipated in the following years until reaching $16.92 per dollar at the end of 2023, which meant a great revaluation of the Mexican currency, which was even called the "super peso" due to the great strength of the peso in recent years.

METHODOLOGY

Ordinary least squares (OLS)

In econometric analysis, one of the most studied and developed methods in recent years are ordinary least squares models because they can examine the behavior of time series. The OLS model is used to establish the best level of fit for a set of data in such a way that it minimizes the residuals or errors of the interpretive relationship between the independent and dependent variables. In this sense, Anderson, *et al.*, (2015) state that the adjustment procedure determines a valid relationship between the explanatory variable and the explanatory variables. For their part, Hanke and Wichern (2006) maintain that the ordinary least squares technique manages to minimize the residual sum of squares that is, this methodology reduces the differences between the observations studied.

The model seeks to establish the level of influence of these variables with respect to the behavior of Mexico's GDP growth rate with the ordinary least squares (OLS) technique, represented through the following equation:

$$y_t = \alpha + \beta g\xi_{i,t} + \beta g\theta_{i,t} + \beta g\tau_{i,t} + \beta g\delta_{i,t} + \beta g\alpha_{i,t} + \beta g\pi_{i,t} + \beta g\epsilon_{i,t} + \beta g\sigma_{i,t} + g\partial_{i,t} + \beta g\chi_{i,t} + u_{i,t} \quad (1)$$

Where gy_t is the explained variable that refers to the annual GDP growth rate of Mexico while the explanatory variables are $g\xi_{i,t}$ that represents the GDP growth rate of the United States, $g\theta_{i,t}$ the annual growth rate of Canada's GDP; $g\tau_{i,t}$ constitutes the growth of the Mexican government debt; $g\delta_{i,t}$ is the increase presented by Mexico's exports; $g\alpha_{i,t}$ is the annual increase in Foreign Direct Investment in Mexico; $g\pi_{i,t}$ measures the average annual growth rate of prices in Mexico; $g\epsilon_{i,t}$ is the variation presented by the peso/dollar exchange rate; $g\partial_{i,t}$ refers to the increase in total imports of the United States; $g\sigma_{i,t}$ represents the percentage increase in imports from the United States to Mexico; $g\chi_{i,t}$ measures the annual growth rate of exports from the United States to Mexico.

Regarding the construction of the data, we proceed as follows. The GDP of Mexico, Canada and the United States, Foreign Direct Investment, the level of debt of the Mexican government and Mexican exports were obtained from the International Monetary Fund database; In the case of the first three variables, the data were deflated to convert them to constant terms and then the growth rates were obtained. In relation to inflation in Mexico, it was constructed from the National Consumer Price Index published by the National Institute of Statistics, Geography and Informatics (INEGI) with a base year of 2013. Regarding the exchange rate, the Bank of Mexico is taken as a reference. Finally, for exports from the United States to Mexico and imports from the United States to Mexico, it is based on data from the International Trade Commission.

Econometric estimation

Table 2 shows the results of the regression between Mexico's GDP growth rate and various macroeconomic variables in the period 1980-2023. Variables with a positive relationship are observed, which implies that, given an increase in the GDP of the United States, the GDP of Canada, the exports of Mexico, the Foreign Direct Investment, the debt of the Mexican government and the exports of United States to Mexico there is an increase in the growth rate of Mexican GDP. Of these variables, the US GDP stands out with a great level of influence on the national economy and to a lesser extent, but also with a positive effect are exports from the United States to Mexico, both variables with statistical significance.

Table 2. Regression of Mexico's GDP growth rates with respect to the degree of influence of different variables: 1980-2023.

Independent variables	Coefficient	t-Statistic
Constant	-0.054	-1.811
United States GDP	1.901	2.678
Canada GDP	0.273	1.164
Mexico inflation rate	-0.093	-1.977
Exports from Mexico	0.271	1.657
Peso/dollar exchange rate	-0.020	-1.061
Foreign Direct Investment in Mexico	0.002	0.086
Mexico public debt	0.086	1.340
Exports from the United States to Mexico	0.690	5.570
Imports from the United States to Mexico	-1.042	-3.563
Determination coefficient, R^2	0.775	
Probability F	0.000	
Durbin-Watson Test	1.853	

Source: Own elaboration based on Econometric Views: 1980-2023.

In contrast, the variables that negatively affect Mexican GDP growth are imports from the United States to Mexico, the Mexican inflation rate and the peso/dollar exchange rate, having the first two statistical significances. Regarding the statistical tests, it is observed that they are robust as they are within the parameters considered accepted. The Durbin-Watson test reflects that there are no autocorrelation problems, the F test indicates that the model as a whole is significant and the R^2 coefficient is greater than 77%, which establishes an important explanatory power for the variables that make up the model. In this way, the econometric estimation shows the great relevance that the US economy has on the performance of the Mexican economy.

CONCLUSION

The paper has focused on analyzing the impact of NAFTA on the economic activity of Mexico based on a set of variables. With the beginning of the trade agreement, it brought with it significant growth in international trade, favoring the increase in exports and imports between member countries. Likewise, this relationship generated greater integration, promoting the synchronization of economic cycles in such a way that the performance of the United States marked the behavior of the Mexican and Canadian economies, so the expansions of the northern neighbors caused economic growth in the others two nations but also the recessions in the United States led to economic crises in Mexico and Canada.

Other aspects resulting from NAFTA are related to the trend towards equilibrium in the prices of goods and services, which is why Mexico's inflation rates gradually decreased until they approached the levels presented by its trading partners. An aspect worth highlighting is the autonomy of the central banks in the three countries, since it has allowed the free management of monetary policy and thus achieved price stability. Furthermore, the area of foreign direct investment was strengthened in Mexico and Canada due to the expansion of a large number of multinational companies, mainly with capital injections from the United States.

The econometric model shows that the independent variables explain the growth rates of Mexico's GDP during the study period. In particular, as mentioned above, Mexico's economy is highly dependent on the performance of the US economy, so an increase in the GDP of its northern neighbor will mean an increase in Mexico's GDP. Additionally, the results show that Canadian GDP, Mexican exports, foreign direct investment, Mexican government debt, and US exports to Mexico contributed to Mexico's GDP growth. On the other hand, imports from the United States, inflation and the exchange rate deteriorate Mexico's GDP.

Regarding the pending subjects, there are the following. Greater international competition has led to greater vulnerability, especially in the Mexican economy, since those traditional sectors that have not managed to adapt to the conditions of free trade have become stagnant and have even lost participation in terms of employment and production. The exchange rate has suffered large fluctuations due to Mexico's dependence on foreign capital, particularly around the performance of the US economy. In terms of GDP per capita, the gap between Mexico and its trading partners has not narrowed, but has even widened, so the quality of life of Mexicans after NAFTA has not lived up to their initial expectations.

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