Trade Between the United States, China, and Mexico: The New Triangular Relationship Examined Through Value-Added Trade

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Abstract

This paper clarifies the trade relations between the United States, China, and Mexico using not only conventional trade statistics but also value-added trade statistics. Today, as Global Value Chains (GVCs) become increasingly complex and intermediate goods cross borders multiple times before final goods are produced, analyses using conventional trade statistics face the "double-counting problem." Therefore, we avoided the double-counting problem by employing value-added trade statistics which illustrate the relationship between the origin and destination of value-added flows, and clarified the complex interdependence among the three countries in terms of trade. Analysis covers not only all industries but also the manufacturing sector as a whole, focusing specifically on the automotive, machinery, and textile industries where GVCs are particularly prominent. This paper represents a new study that advances existing research by examining trade relations among the three countries using value-added trade statistics and by including the period of U.S.-China trade friction in its analysis.