

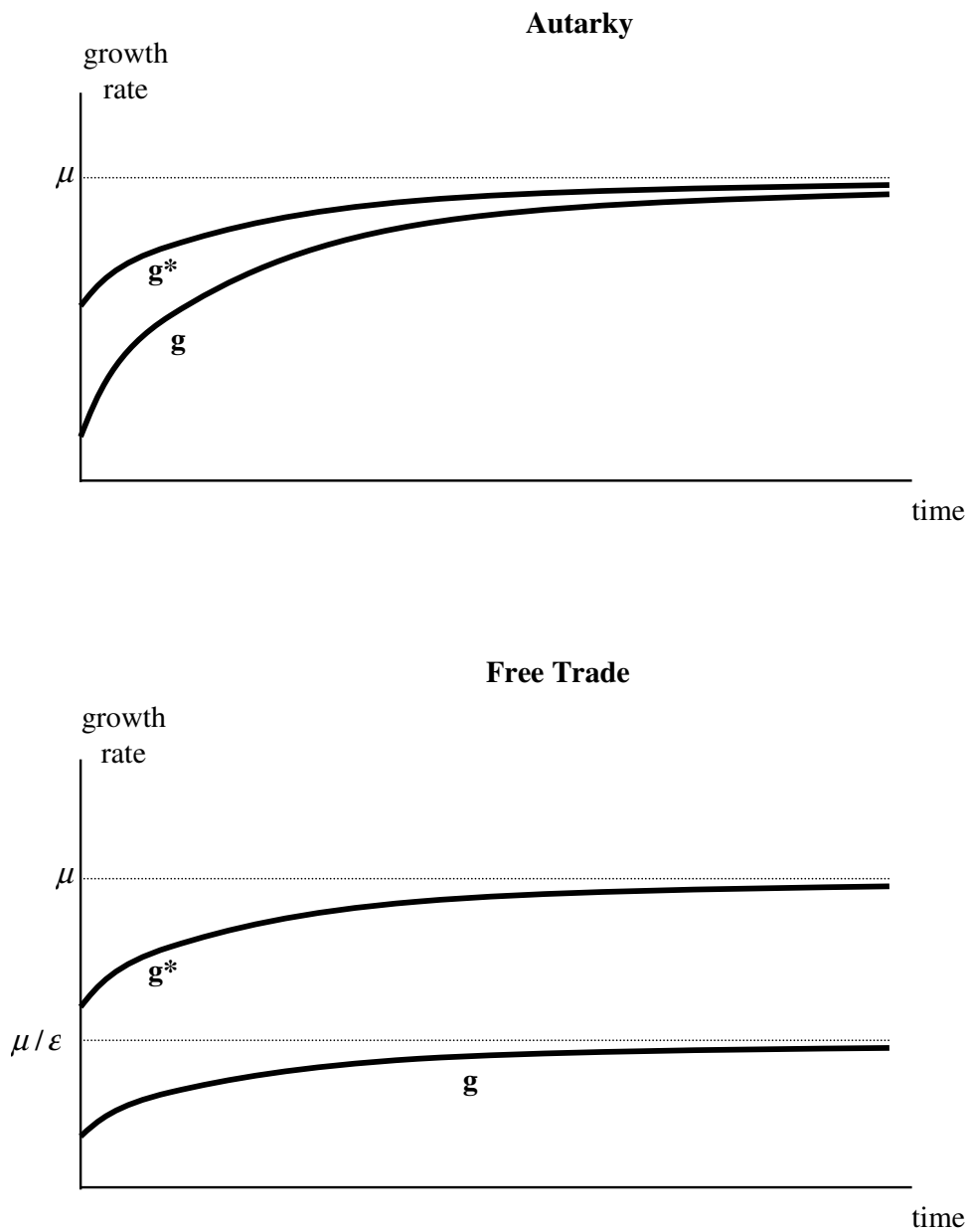
Table 1

Trade in Advanced Technology Products. USA – Mexico 1990-2004
(thousand current US\$)

Category	Exports 1994		Exports 2004		% Change		Mexican Exports / Total Trade Vol.	
	Mex. - USA	USA - Mex.	Mex. - USA	USA - Mex.	Mex. - USA	USA - Mex.	1994	2004
Biotechnology	9,500	19,300	12,942	34,727	36.23	79.93	0.330	0.271
Life Science	145,500	258,000	1,265,187	314,428	769.54	21.87	0.361	0.801
Opto-Electronics	46,500	57,300	1,225,771	199,495	2536.07	248.16	0.448	0.860
Information & Communications	1,666,600	2,325,700	11,809,521	6,178,447	608.60	165.66	0.417	0.657
Electronics	608,700	1,210,900	850,508	4,127,856	39.73	240.89	0.335	0.171
Flexible Manufacturing	700	213,800	414,960	324,502	59180.00	51.78	0.003	0.561
Advanced Materials	1,700	53,100	78,968	67,095	4545.18	26.36	0.031	0.541
Aerospace	35,700	605,200	148,070	769,094	314.76	27.08	0.056	0.161
Weapons	1,900	12,300	46,395	24,311	2341.84	97.65	0.134	0.656
Nuclear Technology	0	9,200	81	29,943	-	225.47	0.000	0.003
TOTAL	2,516,800	4,764,800	15,852,404	12,069,896	529.86	153.31	0.346	0.568

Source: US Census Bureau

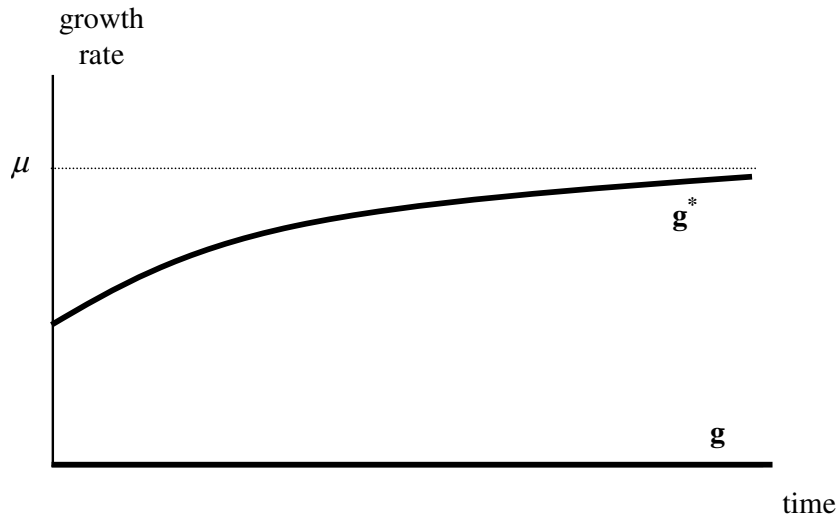
Figure 1
 Growth Rates with the New Technology Only



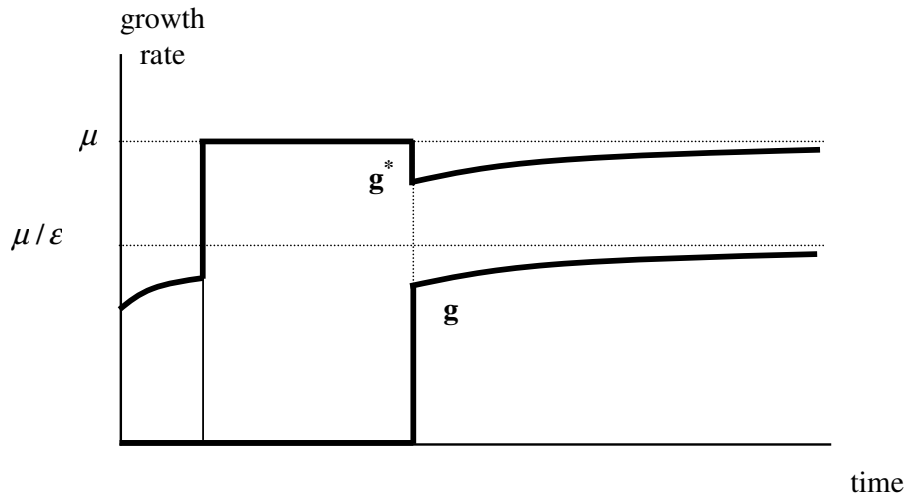
Notes: Figure illustrates the infant industry reasoning. The top panel shows how in the presence of only the New technology, closed economies with different initial productivities have the same long-run growth rates. The bottom panel illustrates the dynamics under free trade. Both countries enjoy static gains from specialization but the developing country suffers lower long-run growth.

Figure 2
Growth Rates with Old and New Technologies

Autarky

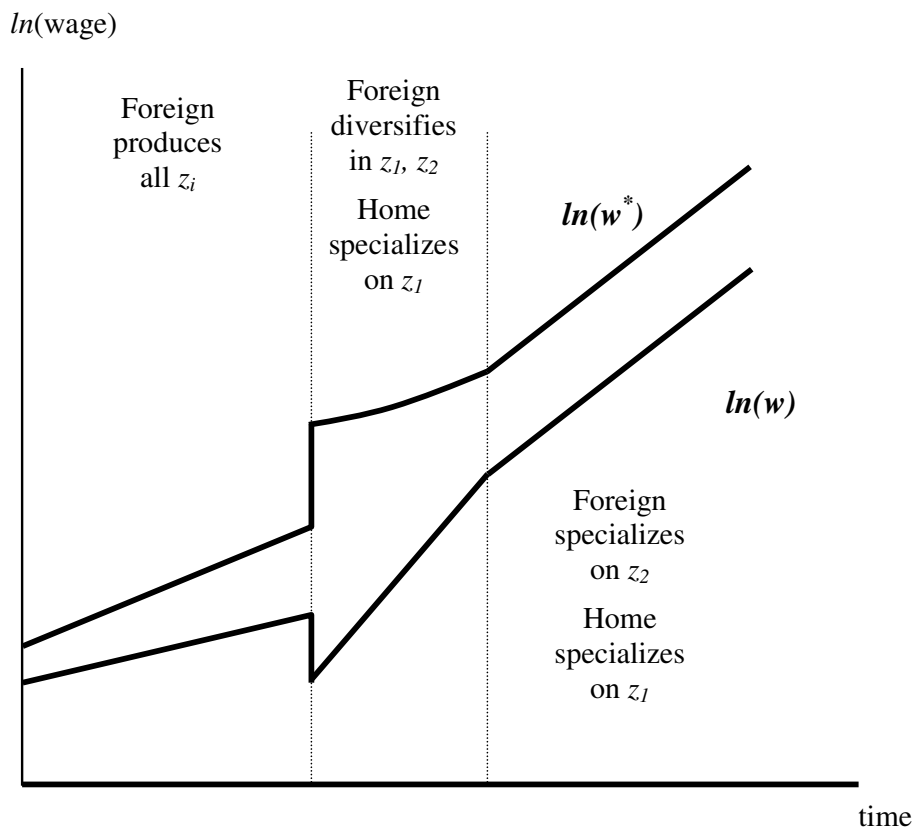


Free Trade



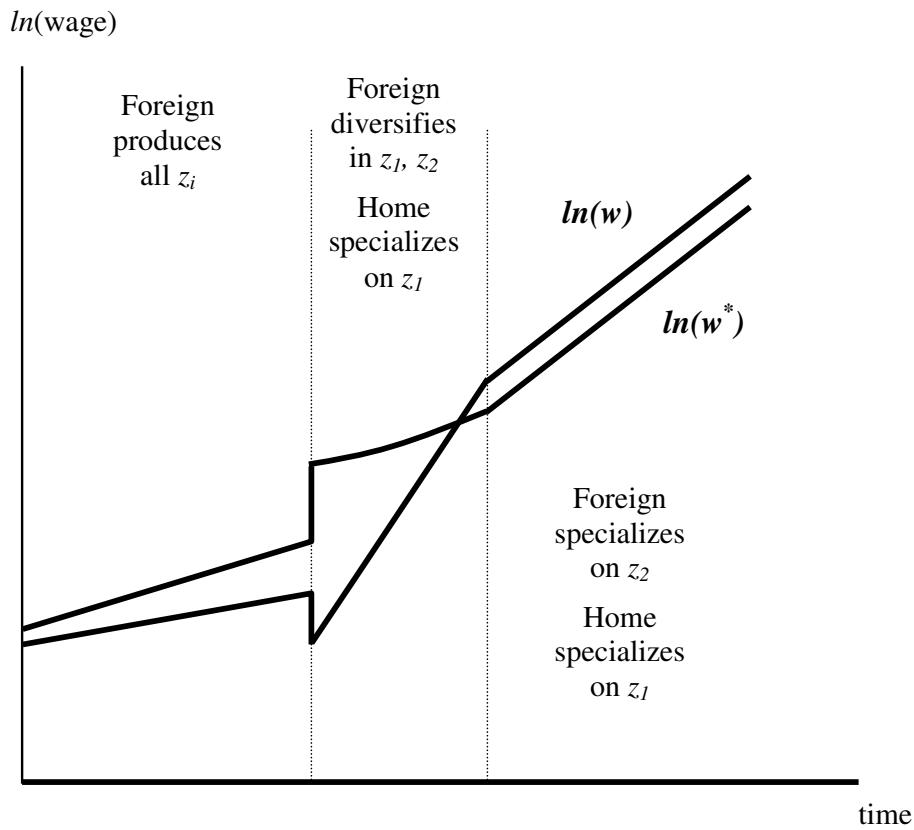
Notes: Figure 2 illustrates the effects of the Old technology given that condition (12) holds for the less developed country. The top panel shows that the industrialized country grows whereas the developing country stagnates. The bottom panel treats the case of free trade. Countries with different initial productivities specialize. During the transition period of gradual labor reallocation in the less developed country, the advanced country grows at exceptionally high rates while the less developed country stagnates. Once the transition period is over, growth in the advanced country drops while it rises in the less developed country.

Figure 3
 Economic Integration of a Less Developed Country
 and the “Push Up”



Notes: Figure 3 shows the effect of competition among developing countries. The economic integration of a large less developed country has a level and a growth effect. The level effect is negative for the small less developed country since competition increases in the sectors of its comparative advantage, and positive for the advanced economy since its term of trade appreciates. The growth effect is positive for the increases as it is pushed into enter sectors that have a high growth potential.

Figure 4
 Economic Integration of a Less Developed Country
 and Leapfrogging



Notes: Figure 4 shows the case where the economic integration of a large less developed country makes the incumbent developing country leapfrog the initial leader. In the transition phase the advanced country diversifies and therefore grows less than the less developed country. When the negative level effect and the initial gap in wages between the countries are small, or the period of labor reallocation in the leading economy is long, leapfrogging occurs.