NAFTA 10 YEARS LATER

OVERVIEW

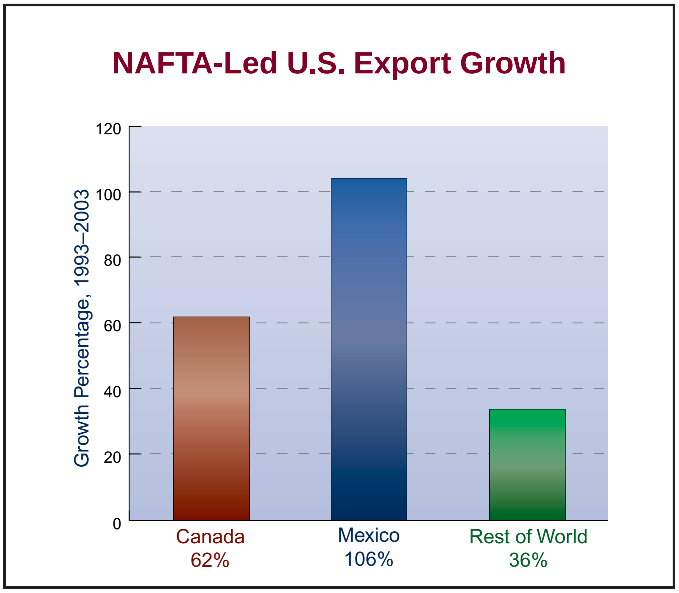
For the first time since NAFTA was implemented, the U.S. Department of Commerce has ten-year statistics on trade and other economic indicators. This provides the opportunity to consider how trade, investment, and employment have changed over the past decade in light of the NAFTA provisions on trade and investment.

While several macroeconomic factors have been at play, these sectoral reports highlight the provisions of NAFTA and how they have affected U.S. firms across the country in twelve sectors: agricultural equipment, chemicals, environmental technologies, information communication technologies, medical equipment, motor vehicles and parts, paper and pulp, pharmaceuticals, processed foods and beverages, scientific equipment, services, and textiles and apparel.

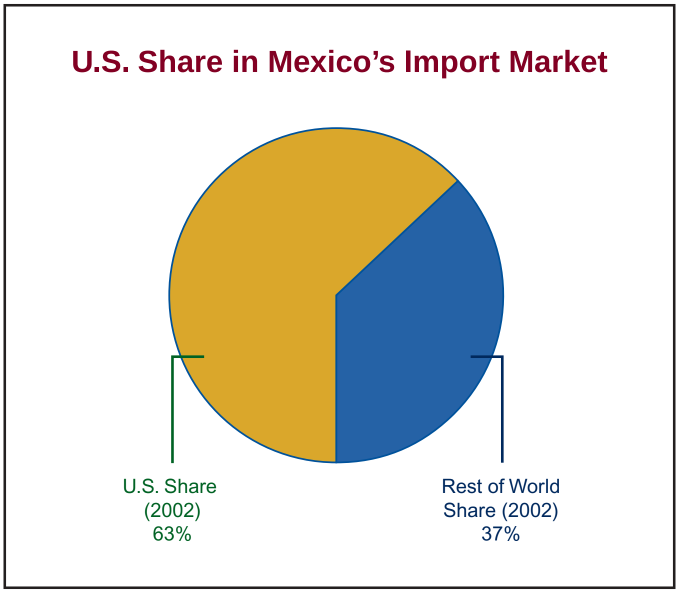
The Department of Commerce is finding overwhelming evidence across the United States that NAFTA-related trade and investment liberalization has allowed U.S. firms to maximize efficiencies, remain globally competitive, and increase sales and exports as a result. This is further evidence that increased market access through free trade agreements has direct and indirect benefits for U.S. firms and workers.

Export Highlights

Between 1993 and 2003, U.S. export growth to NAFTA partners outpaced exports to the rest of the world. U.S. firms exported a total of $651.4 billion in 2003, including $83.1 billion to Mexico and $148.7 billion to Canada. Combined, Mexico and Canada account for 36% of total U.S. exports to the world.



U.S. exports increased 62% to Canada and 106% to Mexico between 1993 and 2003.



In 2002, U.S. firms captured 63% of Mexico's total import market and 61% of Canada's total import market.

NAFTA Trade and Investment Highlights

- **NAFTA has clearly succeeded in stimulating trade and investment among the United States, Mexico, and Canada.** Total two-way trade between the United States and our NAFTA partners grew a remarkable 111% between 1993 and 2003, while total two-way trade between the United States and the rest of the world grew by 79%.
- **NAFTA relaxed investment restrictions in Mexico,** including local content, trade balancing, market share, and market access requirements, which boosted total U.S. investment in Mexico by 242% from 1994 to 2002, compared with 148% growth in U.S. investment in non-NAFTA countries.
- **Mexico's investment in the United States increased 280%** from 1994 to 2002, while investment in the United States by non-NAFTA countries grew strongly by 185%.
- **NAFTA's patent provisions support Mexico's world-class patent regime and strengthen U.S. competitiveness** across North America. U.S. firms, particularly those in pharmaceuticals, scientific equipment, and information communication technology, have benefited from strengthened NAFTA patent provisions.
- **NAFTA reduced or eliminated most barriers limiting market access for goods and hindering trade in services.** This means U.S. exporters have greater market access and a price advantage over other competitors including Japan, South Korea, and China.
- **Without NAFTA, U.S. firms would be at a severe disadvantage to key European competitors in Mexico** that receive duty-free access on a wide range of goods and preferential market access in services sectors under the Mexico-European Free Trade Agreement.
- **NAFTA provisions in the auto sector** allow U.S. automotive producers to treat the three countries as a single market, maximize efficiencies, and become internationally competitive.
- **NAFTA provisions in textiles and apparel** such as "yarn forward" rules of origin have helped preserve U.S. jobs and increased the sales opportunities and exports of U.S.-produced textiles and apparel products.

Data Sources

U.S. trade data came from the Bureau of the Census, U.S. Commerce Department. Mexican trade data came from the Office of the Secretary, Mexican Department of the Economy. Canadian trade came from Statistics Canada. Employment data were obtained from the Bureau of Labor Statistics, U.S. Department of Labor, and investment data from the Bureau of Economic Analysis, U.S. Department of Commerce. Industry data reflect the latest official statistics available as of First Quarter 2004.

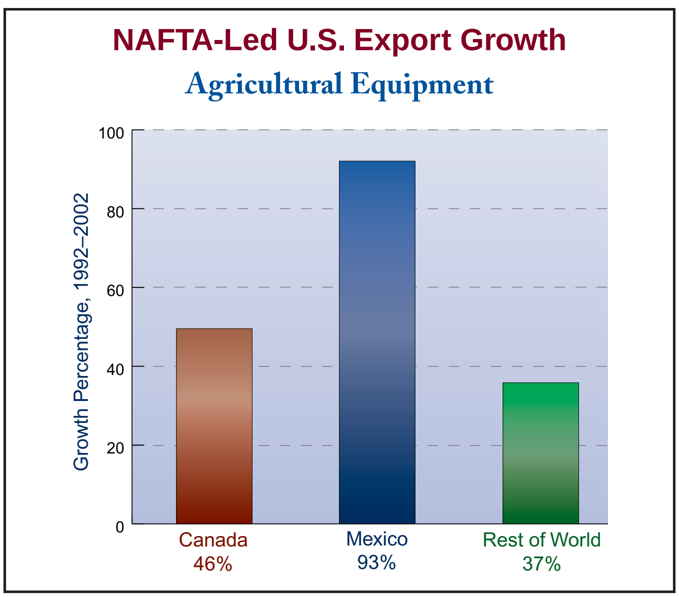
Prepared by the U.S. Department of Commerce, International Trade Administration, Office of Industry Trade Policy. For more information, please contact the Office of Trade and Economic Analysis/Industry Trade Policy at 202.482.3703.

NAFTA 10 YEARS LATER

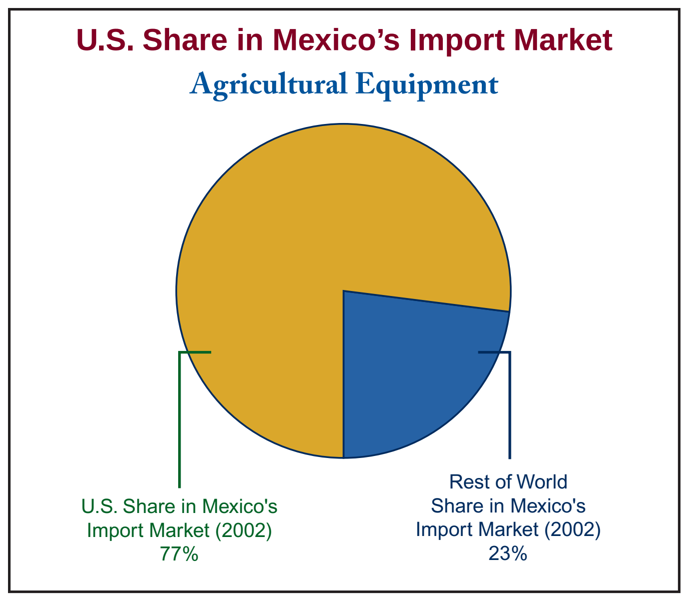
AGRICULTURAL EQUIPMENT

Export Highlights

U.S. firms exported a total of $4.1 billion in agricultural equipment in 2002, including $1.2 billion to Canada and $345 million to Mexico. Together, our NAFTA partners account for 38% of total U.S. exports of agricultural equipment.



From 1992 to 2002, U.S. agricultural equipment firms increased exports to Canada by 46% and increased exports to Mexico by 93%.



In 2002, U.S. firms captured 77% of Mexico's agricultural equipment import market and 84% of Canada's agricultural equipment import market.

Industry Facts

- The United States, Canada, and Mexico have an important trade relationship in agricultural equipment. The United States is the largest agricultural equipment trading partner of Canada and Mexico.
- U.S. agribusiness investment in Mexico increased to $288 million in 2003. U.S.-Mexico investment and trade over the past decade have contributed to the modernization of the Mexican agricultural system.
- Between 1992 and 2002, Canada and Mexico together nearly doubled their agricultural equipment exports to the United States. Despite this increase in U.S. imports, the U.S. maintained a trade surplus of $813 million with our NAFTA partners and a surplus of $597 million with the rest of the world in 2002.
- In 2002, the United States imported $3.5 billion in agricultural equipment, including $502.2 million from Canada and $230.4 million from Mexico.

Trade Barrier Elimination

NAFTA has eliminated virtually all tariffs on U.S. exports of agricultural equipment to Mexico. U.S. firms faced an average 12% tariff—and as high as 20% on harvesting equipment and presses before NAFTA. Now U.S. agricultural equipment exporters enjoy duty-free access to Mexico while such competing exporters as China and Japan face tariffs up to 23%. This means that our exporters have a significant price advantage when selling in the Mexican market, enabling them to capture 77% of this import market.

Key Exporting States

California, Georgia, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, North Dakota, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Wisconsin

Success Stories

- **Elliott Tool Technologies, Ltd., a small business in Dayton, Ohio,** has benefited from NAFTA. "NAFTA certainly has helped us in marketing and selling Elliott tube tools into Mexico," says Jim Ireton, vice president for international sales and marketing. Elliott Tool Technologies manufactures and distributes industrial tools to heavy equipment manufacturers, including the agriculture industry.

- **NAFTA has expanded the market for U.S. irrigation equipment in Mexico,** says John Roberts, president of Roberts Irrigation of San Marcos, California. "A significant portion of our Mexican business is going to farmers who export food back to the United States," says Roberts, whose company manufactures micro-irrigation and drip-irrigation equipment for growing high-value crops. "As a result of their exports to the United States, our Mexican customers' businesses are healthy, which enables them to afford U.S. products."

- "We have benefited from NAFTA creating a more open trading environment with Mexico. **Our company has realized a 30% increase in sales to Mexico in the years following NAFTA, with stable sales since," says Wayne Rogers of Rotary Corporation, Glennville, Georgia.** Rotary is a manufacturer and supplier of parts and accessories for outdoor power and agricultural equipment.

Employment Opportunities

Agricultural equipment manufacturers employ more than 78,000 people throughout the country in all phases of business operations. Employment in this sector grew by a remarkable 13% during the years following NAFTA, then declined slightly in the face of a global economic downturn. Overall, between 1992 and 2001, employment rose by 2%. Wages in the agricultural equipment sector have increased 32% from the pre-NAFTA period.

The Sector

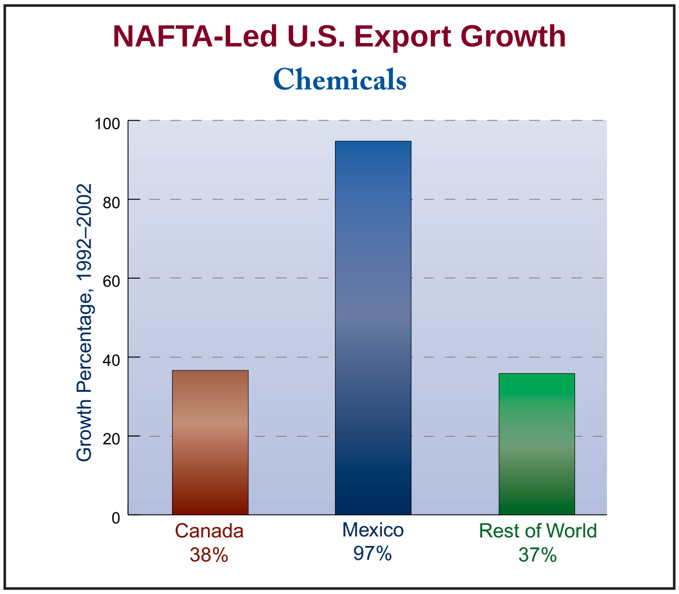
Agricultural equipment includes tractors, harvesting equipment, implements, and parts, and a wide range of specialized equipment for handling agricultural commodities including dairy products and feedstuffs.

NAFTA 10 YEARS LATER

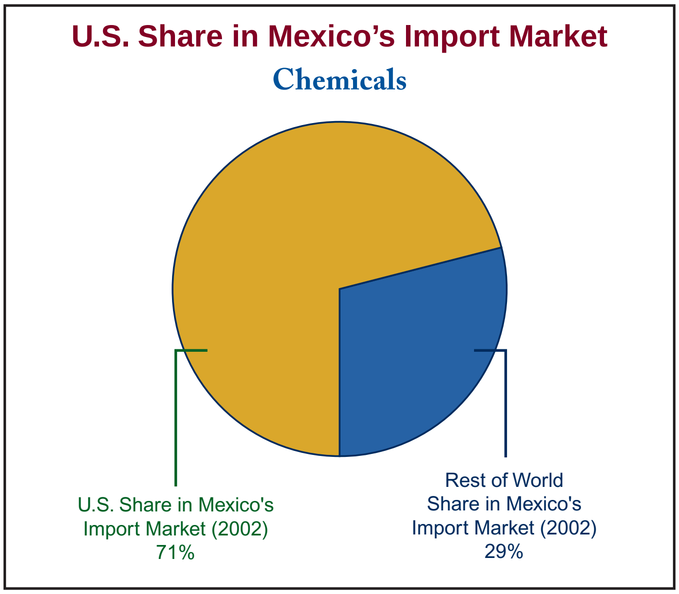
CHEMICALS

Export Highlights

U.S. firms exported a total of $107.6 billion in chemicals in 2002, including $13.6 billion to Mexico and $22.6 billion to Canada. Together, our NAFTA partners account for 34% of total U.S. exports of chemicals.



From 1992 to 2002, U.S. chemical firms increased exports to Canada by 38% and increased exports to Mexico by 97%.



In 2002, U.S. firms captured 71% of Mexico's chemicals import market and 70% of Canada's chemicals import market.

Industry Facts

- NAFTA partners provide key export markets for the U.S. chemical sector. Last year, Mexico and Canada were the first and third largest export markets, respectively, for U.S. chemical firms.

- The United States is an important export market for Mexico and Canada. In 2002, Mexico exported $2.9 billion in chemicals to the United States, and Canada exported $14.9 billion. These exports represent 56% and 85%, respectively, of those countries' total exports in the chemical sector.

- The U.S. chemical industry, encouraged by opportunities offered by NAFTA trade rules, continues to focus on expanding NAFTA markets by upgrading investment and marketing plans, especially with regard to plastics, solvents, thinners, and other chemical preparations.

Trade Barrier Elimination

NAFTA eliminated virtually all Mexican and Canadian tariffs on U.S. chemical imports. Before NAFTA, U.S. chemical exports to Mexico were subject to an average 12% tariff, and as high as 20% on such products as polishes, creams, and pharmaceuticals. Today, U.S. firms receive an average 17% price advantage over other countries that export to Mexico, and as high as 28% on some products. Without NAFTA, U.S. cosmetic firms would be at a disadvantage because products of such key competitors as France and the United Kingdom will soon enter duty-free due to their FTA with Mexico.

Key Exporting States

Arizona, California, Illinois, Indiana, Louisiana, Massachusetts, Michigan, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Texas, Virginia

Success Stories

- **"NAFTA has helped facilitate our customers' products movement into Mexico, directly adding to our bottom line,"** says Kim Kensil, vice president of sales, Jeco Plastic Products, Plainfield, Indiana. Increased U.S.-Mexico trade under NAFTA has benefited Jeco, a second-tier supplier of custom plastic packaging products, because there is a greater need for packaging materials for products being shipped.

- **"Before NAFTA, we had to deal with smaller markets and servicing them as separate markets was more costly,"** says R.Scott Miller, director of national government relations for Proctor and Gamble, Cincinnati, Ohio. After NAFTA, P&G merged the three national units into one. Sales in Mexico doubled, and sales in Canada rose 50%. Today, the company makes Olay and Pepto-Bismol products in Mexico for sale across North America, feminine hygiene products in Canada, and a wide range of consumer goods in the United States for sale in all three countries. This has resulted in cost savings for P&G that in turn strengthen competitiveness.

- **Following NAFTA, Eastern Color and Chemical, of Providence, Rhode Island,** supplies dyes and chemicals to the textile and leather industry in Mexico, which in turn exports textiles, apparel, and footwear to the United States and Canada. According to technical manager Fred Savell, business has been expanding in recent years, and the company anticipates doing even better in the next few years.

Employment Opportunities

The chemicals sector employs 1.7 million people nationwide. Following NAFTA implementation, employment in this industry sector grew 5% from 1992 to 1998 but declined in the following years during the global economic downturn, resulting in an overall decline of 5% from 1992 to 2002. Wages in the chemicals sector have increased 35% during this ten-year period.

The Sector

This sector includes industrial chemicals, agrochemicals and petrochemicals, pharmaceuticals (see the Pharmaceuticals report in this series), plastics, cosmetics, and paints and coatings.

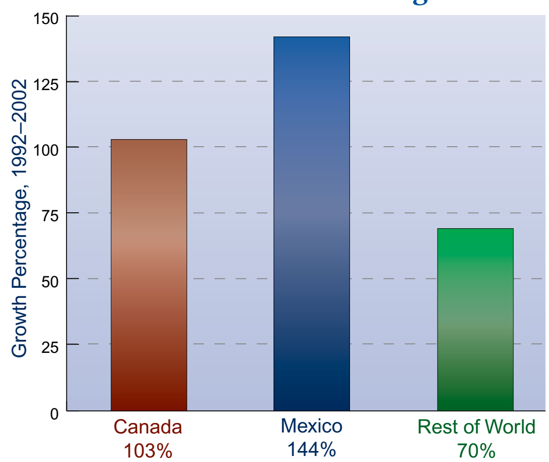
NAFTA 10 YEARS LATER

ENVIRONMENTAL TECHNOLOGIES

Export Highlights

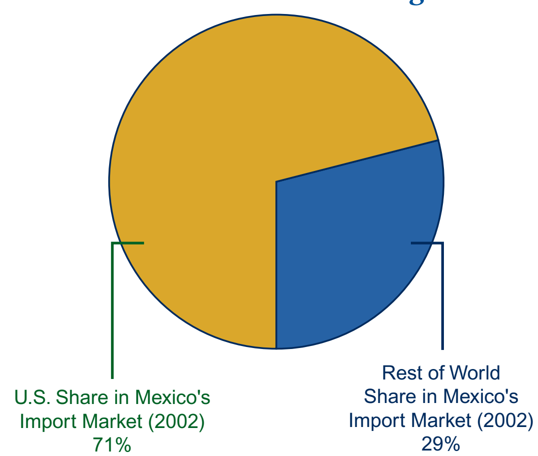
U.S. firms exported a total of $30.2 billion in environmental technology products in 2002, including $6.3 billion to Canada and $4.4 billion to Mexico. Together, our NAFTA partners account for more than one-third of total U.S. exports of environmental technologies.

NAFTA-Led U.S. Export Growth
Environmental Technologies



From 1992 to 2002, U.S. environmental technology firms increased exports to Canada by 103% and increased exports to Mexico by 144%.

U.S. Share in Mexico's Import Market
Environmental Technologies



In 2002, U.S. firms captured 71% of Mexico's environmental technologies import market and 70% of Canada's environmental technologies import market.

Industry Facts

- In the United States, approximately 122,000 enterprises are engaged in the environmental technologies industry generating $214 billion in revenues.
- The demand for water and wastewater treatment technologies that treat and deliver clean water to the world has grown rapidly during the last decade. This global water market accounts for nearly 40% of the total environmental technology market.
- NAFTA's environmental institutions have strengthened technical cooperation on environmental protection issues of transboundary natural resource management. Closer economic integration and cooperation since the passage of NAFTA have had a beneficial effect on Mexico's environmental capacity including the enhanced ability to analyze and protect its own resources. Today, Mexico invests more money in the environmental technology sector than any other Latin American country, except Brazil.
- While Mexico's and Canada's exports to the United States in environmental technology products grew 463% and 167%, respectively, from 1992 to 2002, the United States continues to enjoy a trade surplus in this sector of $3.6 billion.

Trade Barrier Elimination

Before NAFTA, U.S. exports of environmental technology products to Mexico and Canada faced tariffs up to 35%. Today, these U.S. exports to Canada and Mexico receive duty-free treatment on most products. U.S. environmental technology exporters receive an average tariff preference of 15%—and as high as 28% on some products—over competing exporters to Mexico. For example, U.S. exports of steam-generating watertube boilers to Mexico enter duty free, while those from South Korea and Taiwan are subject to a 22% tariff. U.S. firms also benefit from NAFTA-driven increased government transparency in environmental laws and regulations in Mexico.

Environmental Impact

NAFTA liberalization of trade in environmental technology has lowered the cost of environmental protection across North America and has enabled purchasing nations to help clean the environment and promote health and human safety.

Key Exporting States

Arizona, California, Illinois, Indiana, Kentucky, Massachusetts, Michigan, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Wisconsin, Vermont

Employment Opportunities

The environmental technology sector employs nearly 1.64 million U.S. workers nationwide. The adoption of new environmental standards and compliance has contributed to growing employment in this sector, which has grown approximately 35% during the past decade.

The Sector

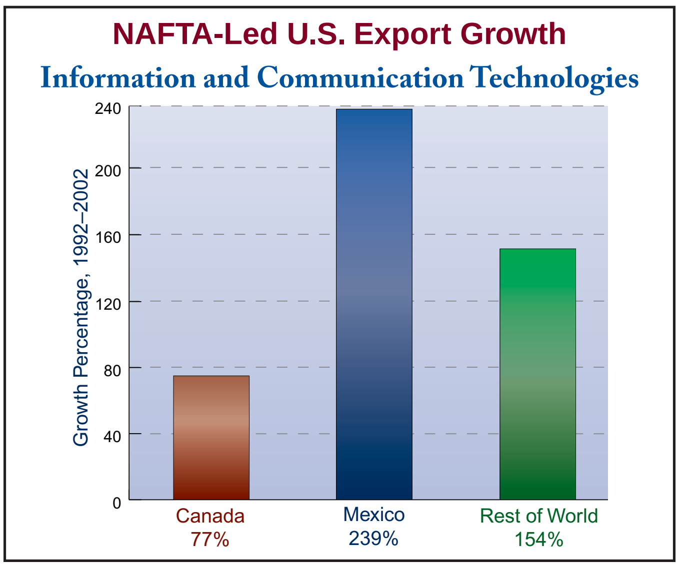
This sector includes products for environmental protection and assessment, compliance with environmental regulations, pollution control, waste management, remediation, and the provision and delivery of environmental resources.

NAFTA 10 YEARS LATER

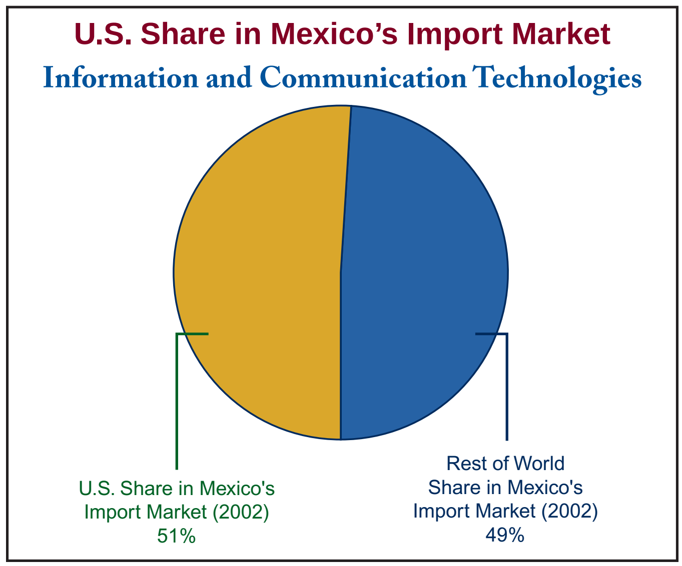
INFORMATION AND COMMUNICATION TECHNOLOGIES

Export Highlights

U.S. companies exported more than $138.1 billion in information and communication technology (ICT) products in 2002, including $21.4 billion to Mexico and $18.5 billion to Canada. Together, our NAFTA partners account for 29% of total U.S. ICT exports.



From 1992 to 2002, U.S. ICT firms increased exports to Canada by 77% and increased exports to Mexico by 239%.



In 2002, U.S. firms captured 51% of Mexico's ICT import market and 48% of Canada's ICT import market.

Industry Facts

- Mexico and Canada are the first and second largest export markets for U.S. ICT firms.
- Closer trade and investment ties due to NAFTA allow U.S. ICT firms easier access to Canada's and Mexico's growing computer markets, which have more than doubled in size since 1992 to $12.7 billion combined. The packaged software market alone in Canada and Mexico was worth $4.5 billion in 2002, triple the pre-NAFTA market size.
- The ICT industry has benefited from NAFTA's investment provisions that lifted most restrictions on foreign investment. NAFTA eliminated the 49% cap on foreign participation in enhanced telecommunications services. It also provided greater protection for investors in telecommunications services sectors.
- NAFTA investors are able to hold 100% of the ownership interest of new enterprises engaged in the production of telecommunications equipment without government approval.
- The United States continues to be the world's largest consumer, producer, and provider of computer equipment and software and related goods and services. U.S. industry plays a major role as a manufacturer and technology developer.

Industry Facts *(continued)*

- NAFTA partners have realized benefits of the agreement as well. Mexico's ICT exports to the United States increased 230% over the 1992–2002 period, to $21.5 billion. Canada's ICT exports to the United States in the same period increased 69%, to $9 billion.

Trade Barrier Elimination

NAFTA immediately eliminated 10% to 20% tariffs in Mexico on 70% of U.S. exports of computers, peripheral equipment, and software and phased out remaining duties for these products over a five-year period. Canadian tariffs were mostly eliminated from the 1989 U.S.-Canada FTA. Today U.S. firms receive duty-free access to Mexico's market while other competing producers such as South Korea, Japan, and Taiwan face tariffs up to 23% on radio and television communications and broadcasting equipment and telecommunication switches. Without NAFTA, U.S. ICT firms would be at a disadvantage with such European competitors as France and the United Kingdom, whose ICT products enter duty-free due to their FTA with Mexico.

Nontariff barrier elimination was also important for the ICT industry, which realized NAFTA benefits through more transparent commercial dealings, removal of investment barriers, and the opening of Mexico's lucrative government procurement market for U.S. suppliers. This sector also benefits from stronger intellectual property rights protection following NAFTA, including increased protection of integrated circuit layout designs and trade secrets.

Key Exporting States

Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Massachusetts, Michigan, New York, North Carolina, Ohio, Tennessee, Texas, Vermont

Success Stories

- **NAFTA has allowed Kodak products to enter Mexico duty free. As a result, the company has been able to transfer a high-cost sensitizing operation from Mexico to Rochester, New York,** increasing efficiency, lowering costs, and improving quality. NAFTA has also had a positive effect on U.S. employment at Kodak. Kodak, a digital and traditional imaging company, has increased exports to Mexico by $400 million since NAFTA was implemented. Over the last five years, Kodak's U.S. exports to Mexico have grown four times faster than Kodak exports globally.

- **"Each year we continue to find innovative ways to use NAFTA as a means to serve our customers and remain price-competitive,"** says Kitty Krishnamurthy, vice president of the Panasonic facility in Troy, Ohio, where employment has grown. NAFTA is crucial to the competitiveness of Panasonic's color television cathode-ray-tube production in Troy. It provides Panasonic's customers a source of duty-free materials, ease of logistics planning among border factories, and lower operating costs along the border trading zone.

Employment Opportunities

The ICT industry employs 2.5 million people nationwide. Employment in the ICT industry grew 11% during 1992–1998 and 2.6% during 1992–2002. The more modest recent growth in the telecommunications industry reflects the global economic downturn in the wake of the ICT boom in the late 1990s and early 2000s. ICT industry wages increased 35% during this ten-year period.

The Sector

This sector covers computer and telecommunications equipment, software, and semiconductors and other electronic components.

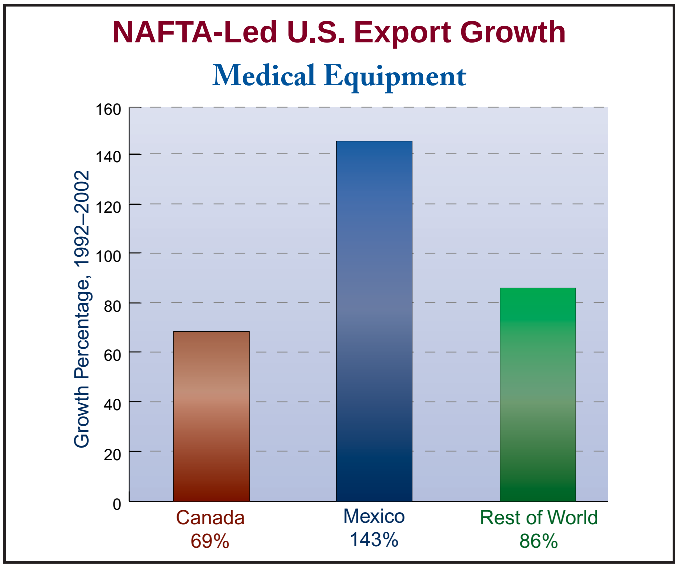
Prepared by the U.S. Department of Commerce, International Trade Administration, Office of Industry Trade Policy.
For more information, please contact the Office of Trade and Economic Analysis/Industry Trade Policy at 202.482.3703.

NAFTA 10 YEARS LATER

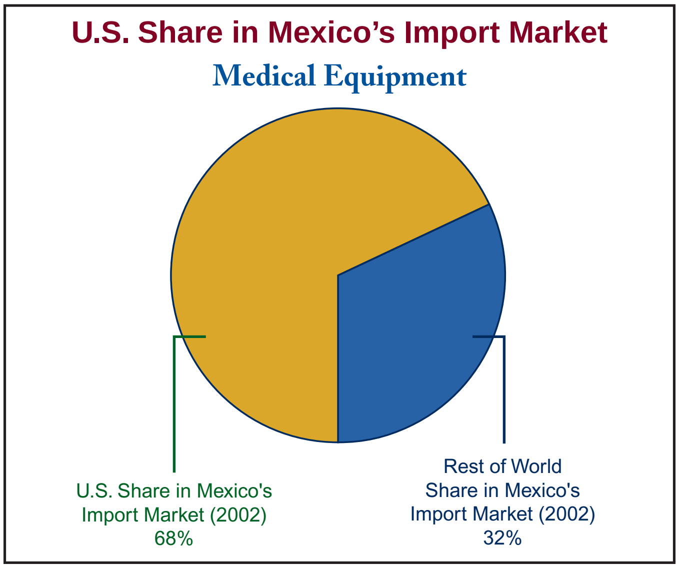
MEDICAL EQUIPMENT

Export Highlights

U.S. firms exported a total of $26.6 billion in medical equipment in 2002, including $2.7 billion to Canada and $1.7 billion to Mexico. Together, our NAFTA partners account for 16% of total U.S. exports of medical equipment.



From 1992 to 2002, U.S. medical equipment firms increased exports to Canada by 69% and increased exports to Mexico by 143%.



In 2002, U.S. firms captured 68% of Mexico's medical equipment import market and 62% of Canada's medical equipment import market.

Industry Facts

- U.S. firms are the world's largest suppliers of medical equipment and parts, with increasing domestic production. Domestic production increased 20% from 1997 to 2002, to $78.6 billion. Surgical and medical instrument production and supplies have grown a remarkable 22% and 27%, respectively, and make up 59% of the industry's production.
- The U.S. medical equipment industry leads the world in medical device innovation due to its commitment to research and development and its close association with medical research and the microelectronics industry.
- NAFTA has improved the stability of the regulatory environment in Mexico and has encouraged U.S. investment in Mexican assembly plants and production sharing. NAFTA allowed U.S. companies to own Mexican assembly plants. Increased investment has led to cost-cutting production techniques and facilitated the introduction of new technologies in U.S. industry, and the introduction of new U.S. products in Mexico.
- NAFTA increased transparency in government procurement, which has benefited U.S. exporters of medical equipment to the growing public hospital sector in Mexico.

Trade Barrier Elimination

NAFTA's elimination of virtually all tariffs on medical equipment in Mexico and Canada has helped to increase U.S. exports to these countries. Today U.S. medical equipment firms experience no significant tariff barriers in Canada or Mexico. Before NAFTA, Mexican importers of U.S. medical equipment paid nearly $100 million annually in tariff costs, including tariffs as high as 20% on some products. Today, U.S. firms enjoy nearly duty-free access to these markets and an average 16% tariff preference over competing exporters in Mexico, and as high as 23% on some products. For example, U.S. exports of dental and medical chairs and parts to Mexico enter duty free, while those from Japan are subject to a 22% duty. Similarly, U.S. exports of ultrasonic scanning equipment enter Mexico duty free, while Japanese and South Korean exporters are subject to a 17% tariff.

NAFTA also eliminated several nontariff barriers in Canada and Mexico. Today U.S. exporters benefit from uniform customs procedures, greater transparency in standards and government procurement, and stronger protection for trade secrets that have commercial value such as product processes, formulas, and customer lists.

Key Exporting States

Arizona, California, Colorado, Florida, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas, Wisconsin

Employment Opportunities

Medical equipment manufacturers employ 350,000 U.S. workers nationwide, up from 290,000 U.S. workers in 1992. The sector has experienced productivity increases over the past decade due to the introduction of new technologies, cost-cutting production techniques, and production-sharing with assembly plants on the U.S.-Mexico border. Wages remain relatively high in this sector and are up 35% since 1992.

The Sector

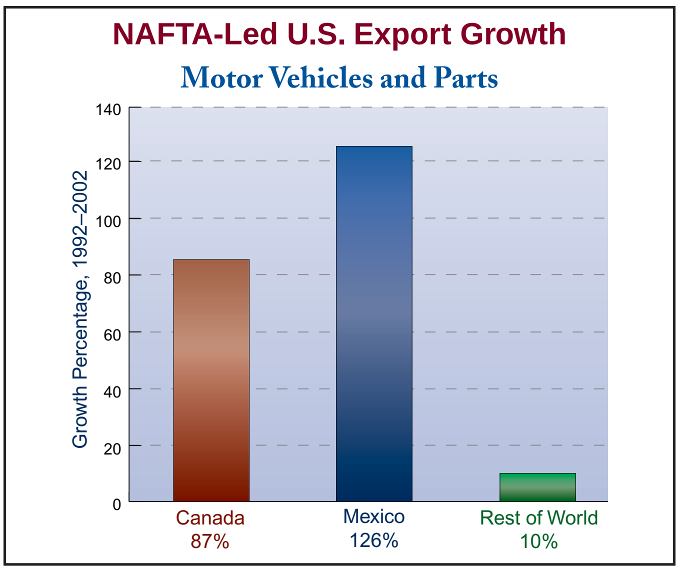
This sector includes surgical, medical, and dental instruments and supplies.

NAFTA 10 YEARS LATER

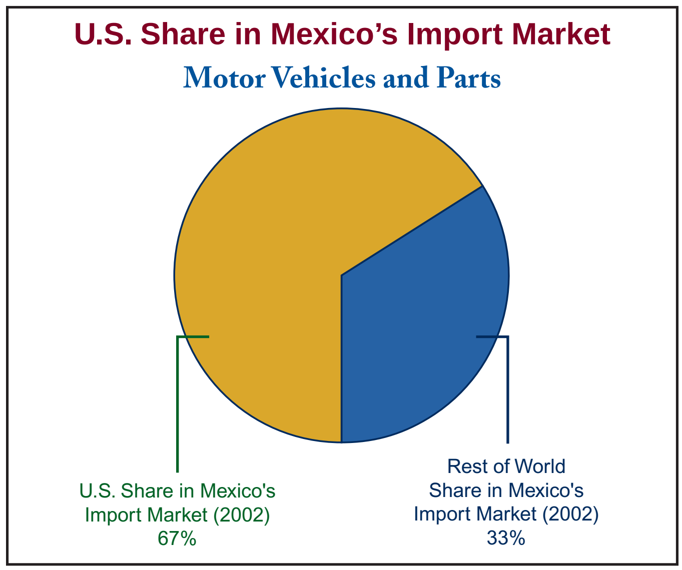
MOTOR VEHICLES AND PARTS

Export Highlights

U.S. firms exported nearly $77.9 billion in motor vehicles and parts in 2002, including $43.9 billion to Canada and $15.3 billion to Mexico. Together, our NAFTA partners account for nearly 76% of total U.S. exports of motor vehicles and parts.



From 1992 to 2002, U.S. motor vehicles and parts firms increased exports to Canada by 87% and increased exports to Mexico by 126%.



In 2002, U.S. firms captured 67% of Mexico's total automotive import market and 77% of Canada's total automotive import market.

Industry Facts

- NAFTA opened the Mexican market to U.S. automotive products, and over the past decade Mexico has become our second largest automotive export market, trailing only Canada.

- NAFTA relaxed investment restrictions in Mexico and eliminated requirements for auto assemblers to build vehicles in Mexico from Mexican-made parts. More U.S.-made parts, in terms of value, are being used by auto assemblers in Mexico today than before NAFTA.

- NAFTA allows U.S. automotive producers to treat the three countries as a single market and maximize efficiencies. In the face of pressures from global competition, the ability to integrate and consolidate regional operations has helped U.S. firms remain competitive. Today, NAFTA automotive markets are highly integrated. Nearly half of U.S. automotive imports come from our NAFTA partners, while 73% of U.S. exports go to our NAFTA partners.

- U.S. vehicle production increased 27% over the 1992–2002 period, from 9.7 million units to 12.3 million units. Since 1993, light vehicle production capacity has increased in all NAFTA countries, including an increase of 714,000 units in the United States and 437,000 units in Mexico. U.S. automotive parts production has increased 81% since 1992, to $181 billion in 2001.

Trade Barrier Elimination

NAFTA dismantled the highly import-restricting Mexican Automotive Decrees, which were laced with tariff and nontariff barriers such as local content and trade balancing requirements, and market access and market share requirements. NAFTA eliminated all Mexican tariffs on U.S. automotive products, some as high as 30%. U.S. automotive firms now receive an average 18% tariff preference over export competitors to Mexico, and as high as 30% on certain automotive products. For example, U.S. firms benefit from duty-free access to Mexico for new passenger vehicles, while Japanese and South Korean exporters are subject to at least a 20% tariff.

Employment Opportunities

The automotive industry employed 1.04 million people nationwide in 2002. Wages in this sector have increased 34% since 1992, and motor vehicle production workers remain among the highest-paid in the U.S. economy. Their average hourly rate was $25.31 in 2002, 65% above the national average. Employment in this sector increased 7% from 1992 to 2002. The automotive sector has benefited from productivity gains as the number of vehicles assembled per production worker has increased from 43.9 in 1997 to 53.1 in 2002.

Key Exporting States

California, Georgia, Illinois, Indiana, Kentucky, Michigan, Missouri, New York, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Texas, Wisconsin

Success Stories

- Without NAFTA, automotive parts maker TRW would have moved its manufacturing facility in Lebanon, Tennessee, to Mexico. Instead, **NAFTA's cuts in tariffs and local content requirements allowed TRW to keep production in Tennessee, and the firm has added 200 jobs since NAFTA's passage.**
- **Thanks to NAFTA's elimination of trade restrictions in Mexico, DaimlerChrysler's exports to Mexico increased from just 5,300 vehicles in 1993, to 260,012 in 2000.** The Belvidere, Illinois, assembly plant produces the Dodge Neon and is dependent on exports, with 41% of total exports going to Canada and 36% to Mexico.
- The Ford Motor Company uses facilities throughout North America to produce its heavy-duty F-series pickup trucks. The truck engines are produced in Canada, the transmissions in the United States, and the trucks themselves in U.S. and Mexican facilities. Before NAFTA, Mexican tariffs and local-content rules restricted the volume of trucks or parts Ford could export to Mexico. **"NAFTA has given us the opportunity to look at these three countries as a single market so we can maximize our efficiencies,"** says William P. Kelly, Ford's director of international government affairs.

The Sector

This sector includes finished automobiles, buses, trucks, and other road motor vehicles, and automotive parts.

NAFTA 10 YEARS LATER

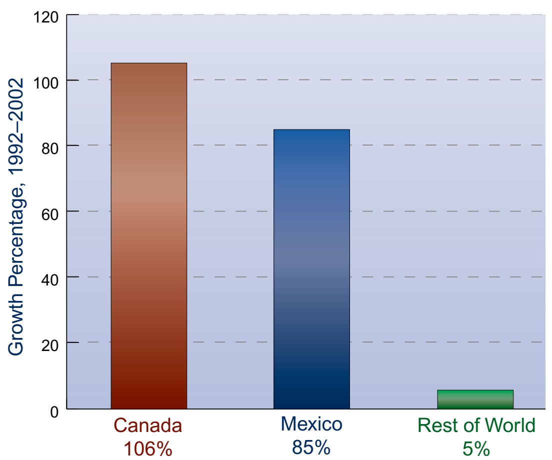
Paper and Pulp Products

Export Highlights

U.S. firms exported a total of $13.8 billion in paper and pulp products in 2002, including $4 billion to Canada and $2.4 billion to Mexico. Together, our NAFTA partners account for 46% of total U.S. exports of paper and pulp.

NAFTA-Led U.S. Export Growth

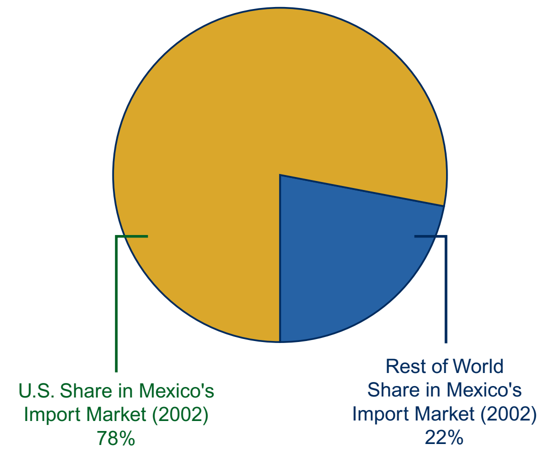
Paper and Pulp Products



From 1992 to 2002, U.S. paper and pulp firms increased exports to Canada by 106% and increased exports to Mexico by 85%.

U.S. Share in Mexico's Import Market

Paper and Pulp Products



In 2002, U.S. firms captured 78% of Mexico's paper and pulp import market and 84% of Canada's paper and pulp import market.

Industry Facts

- U.S. paper and pulp production has grown to $151.5 billion in 2002, a 14% increase since 1992. Approximately 15% of U.S. paper and pulp production is exported, and more than half of those exports go to our NAFTA partners.
- The United States imported $17 billion in paper and pulp products from the world in 2002, an increase of 67% from 1992. U.S. paper and pulp imports from NAFTA partners have increased at a lower rate of 49% over the same period. About 69% of U.S. paper and pulp imports, amounting to $11.8 billion in 2002, come from NAFTA partners, mainly due to geographical factors.

Trade Barrier Elimination

NAFTA has eliminated most tariffs on U.S. paper and pulp exports to NAFTA partners. Before NAFTA, the average tariff rates on paper and paperboard products were as high as 50%. Now U.S. paper and pulp exporters face rates that are close to zero, while competitors pay tariffs up to 28%. For example, U.S. wallpaper exports to Mexico enter duty free while Chinese exports are subject to an 18% tariff.

Employment Opportunities

The paper and pulp industry employs 531,000 U.S. workers. Wages in this sector increased 36% between 1992 and 2003.

Key Exporting States

California, Georgia, Illinois, Maine, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas, Washington, Wisconsin

Success Stories

- **Westvaco of Covington, Virginia, has seen its revenues increase more than 1,000% since NAFTA's passage,** in part due to exports to NAFTA partners. Canada and Mexico are now the first and third leading export destinations for this paper, cardboard, and chemical manufacturer.
- Maine has benefited from NAFTA's tariff liberalization. **Maine's exports to NAFTA partners have more than doubled since the trade agreement was implemented in 1994,** representing state export growth of 115% to Canada and 84% to Mexico.

The Sector

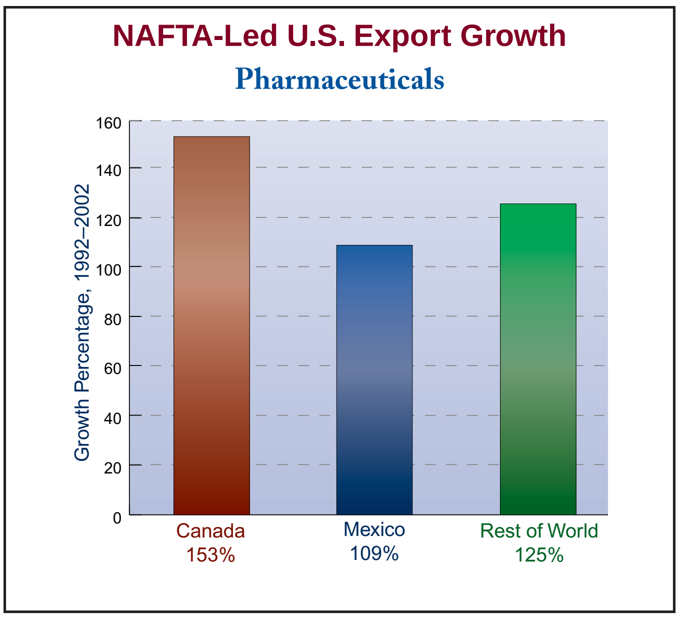
The paper and pulp industry includes paper and paperboard, paper pulp products, wood pulp, containerboard, and scrap and recycled paper.

NAFTA 10 YEARS LATER

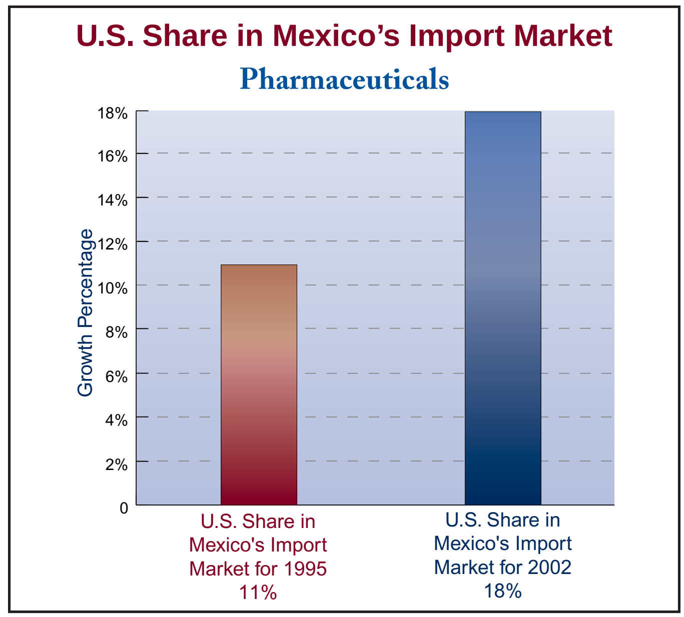
PHARMACEUTICALS

Export Highlights

U.S. firms exported a total of $26.4 billion in pharmaceutical products in 2002, including $3.5 billion to Canada and $748 million to Mexico. Together, our NAFTA partners account for 16% of total U.S. pharmaceutical exports.



From 1992 to 2002, U.S. pharmaceuticals firms increased exports to Canada by 153% and increased exports to Mexico by 109%.



The U.S. share of Mexico's pharmaceutical import market increased from 11% in 1995 to 18% in 2002. U.S. firms captured nearly half of Canada's pharmaceutical import market in 2002.

Industry Facts

- Lower NAFTA tariffs on pharmaceuticals have fostered greater choices for the inputs needed for pharmaceutical production. A world-class patent regime in Mexico, bolstered by NAFTA's patent provisions, gives innovators a favorable environment to launch new compounds.
- U.S. pharmaceutical exports to Canada and Mexico combined increased 144% from 1992 to 2002, which is higher than the 125% growth in exports to the rest of the world.
- U.S. pharmaceutical firms account for nearly half of world production, or $197.4 billion.
- From 1992 to 2002, Mexico and Canada increased pharmaceutical exports to the U.S. market by 78% and 487%, respectively. However, the United States had a trade surplus of $2.6 billion with these countries in 2002.
- The United States and Canada are important bilateral trading partners in pharmaceuticals. Canada imports nearly half of its pharmaceuticals from the United States, while 81% of Canada's pharmaceutical exports go to the United States.
- U.S. investment in the Mexican pharmaceutical market is $1.1 billion, up 164% since 1994.

Trade Barrier Elimination

NAFTA has eliminated Mexican and Canadian tariffs on U.S. pharmaceutical exports, which faced an average tariff of 15% in Mexico before NAFTA went into effect. Today, NAFTA tariff elimination gives U.S. pharmaceutical firms a price advantage over competitors facing an average tariff of 18% in Mexico. NAFTA also helped to eliminate nontariff barriers in Mexico and Canada. Today U.S. pharmaceutical exporters benefit from greater transparency in government rule-making and stronger intellectual property laws and enforcement.

Key Exporting States

California, New Jersey, North Carolina, Illinois, Indiana, Michigan, Missouri, New York, Pennsylvania, Texas

Success Stories

- **Wyeth Pharmaceuticals, of Princeton, New Jersey,** has benefited from NAFTA-driven tariff elimination, stronger patent laws and enforcement, and transparency in government decision-making in Mexico and Canada. Wyeth now enjoys increased flexibility in sourcing bulk intermediate inputs and faster approval of new products than previously existed.

- **"Before NAFTA, we had to deal with smaller markets, and servicing them as separate markets was more costly,"** says R. Scott Miller, director of national government relations for Proctor and Gamble, based in Cincinnati, Ohio. Before NAFTA took effect, the business units of P&G in the United States, Mexico, and Canada were separate. After NAFTA, P&G merged the three national units into one. Sales in Mexico doubled, and sales in Canada rose 50%.

Employment Opportunities

The pharmaceutical industry employs nearly 300,000 people throughout the country. During the past decade, pharmaceutical employment has increased 33% while wages have increased 45%.

The Sector

The pharmaceutical industry includes drugs and medicaments, vaccines, blood and blood by-products, live cultures, and diagnostic equipment and reagents for medical use.

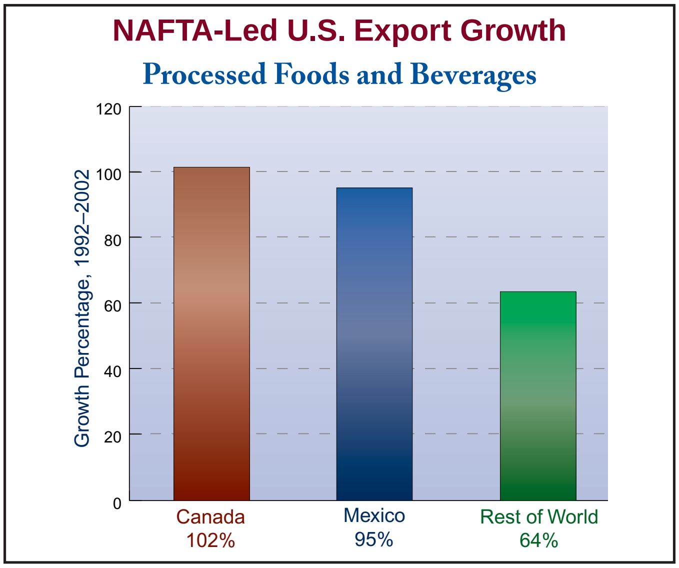
Prepared by the U.S. Department of Commerce, International Trade Administration, Office of Industry Trade Policy. For more information, please contact the Office of Trade and Economic Analysis/Industry Trade Policy at 202.482.3703.

NAFTA 10 YEARS LATER

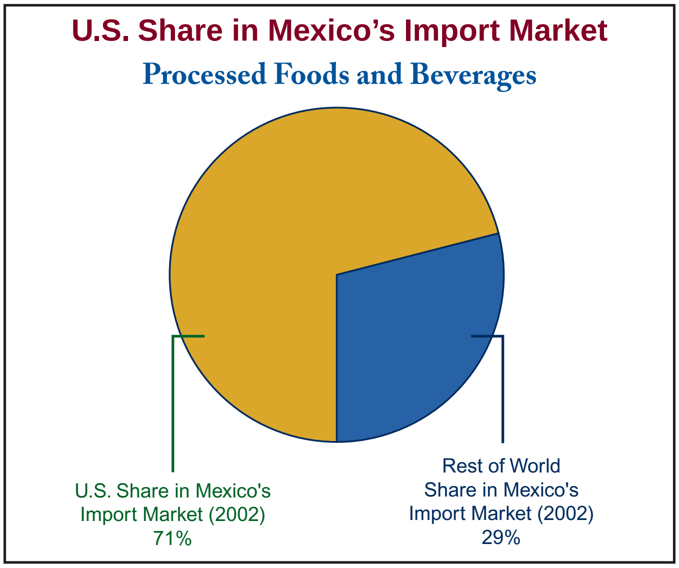
PROCESSED FOODS AND BEVERAGES

Export Highlights

U.S. firms exported a total of $20.8 billion in processed foods and beverages in 2002, including $5.7 billion to Canada and $1.8 billion to Mexico. Together, our NAFTA partners account for 36% of total U.S. exports of processed foods and beverages..



From 1992 to 2002, U.S. processed foods and beverages firms increased exports to Canada by 102% and increased exports to Mexico by 95%.



In 2002, U.S. firms captured 71.4% of Mexico's processed foods and beverages import market and 67% of Canada's processed foods and beverages import market.

Industry Facts

- NAFTA has provided U.S. processed food and beverage firms with increased operational flexibility. The resulting cost reductions can be reinvested into new product development and the business in general. As a result of NAFTA, U.S. food companies have increased options regarding how to meet the "just in time" delivery requirements of customers, particularly those along border regions of NAFTA countries.

- U.S. manufacturers of processed foods and beverages benefit from NAFTA investment provisions that guarantee equal treatment for foreign and domestic investors.

- U.S. direct investment in Mexico's processed food industry—largely in snack foods, vegetable oils, meat and poultry, and confectionery products—has quintupled since 1987 to reach $1.2 billion in 2001.

- U.S. investment in Canada in this industry, which grew sharply before NAFTA was implemented, experienced an additional 14% post-NAFTA growth to a level of $3.4 billion in 2001.

- From 1992 to 2002, Mexico's exports of processed foods and beverages to the United States increased nearly 160%, to $2.7 billion. Canada's industry exports to the United States increased 132%, to $4.5 billion.

Trade Barrier Elimination

NAFTA eliminated most Mexican and Canadian tariffs on U.S. processed foods and beverages exports, which were as high as 20% on such products as chocolate and preserved meats before NAFTA took effect. U.S. firms now enjoy a price advantage over competitors who have to pay an average tariff of 24% in Mexico's market. U.S. exporters of milk and cream products have a price advantage over competitors whose products are subject to duties greater than 100%.

U.S. exporters of breakfast cereals, prepared meats, and processed fruits and vegetables have a significant price advantage over competitors because of NAFTA. These product areas have experienced great export growth since NAFTA took effect. U.S. malt beer exporters enjoy duty-free access to Mexico, while exports from competitors are subject to a 28% tariff. Since 1993, U.S. malt beer exports to Mexico have increased 185%.

NAFTA has also addressed some nontariff barriers that are important to the processed foods and beverages industry, including Mexico's regulations for product testing, certification, and labeling.

Key Exporting States

Arkansas, California, Georgia, Florida, Illinois, Iowa, Louisiana, Minnesota, Nebraska, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, Washington, Wisconsin

Success Stories

- **Nestle's non-dairy creamer plant in Jacksonville, Illinois,** is operating at full capacity and achieving greater efficiency as a result of NAFTA. Prior to NAFTA, non-dairy creamer was produced in all three NAFTA partners, but now it is primarily produced in the United States.
- **NAFTA has enabled Orion Food Systems Inc., of Sioux Falls, South Dakota,** to increase sales and profits across Canada. Orion exports the majority of products needed to open and maintain its fast food restaurants across western Canada. Its increased market presence in Canada has meant increased exports of pizza dough and pizza sauce, both manufactured in Sioux Falls. Orion's exports to Canada have quadrupled since 1998.

Employment Opportunities

The processed food and beverage sector employs 1.7 million people nationwide. Employment in this sector increased 2% from pre-NAFTA to 1998. While poultry and dairy processing experienced growth, overall industry employment decreased slightly after 1998 due to a global economic decline. Productivity has grown in all facets of the processed food and beverage industry over the past decade, and industry wages have increased by 35% overall since NAFTA was implemented.

The Sector

This sector includes a variety of processed and preserved foods and beverages including animal foods, grain and oilseed milling, sugar and confectionery products, fruit and vegetable preserving and specialty foods, dairy products, animal slaughtering and processing, seafood product preparation and packaging, bakeries and tortillas, and other food products.

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NAFTA 10 YEARS LATER

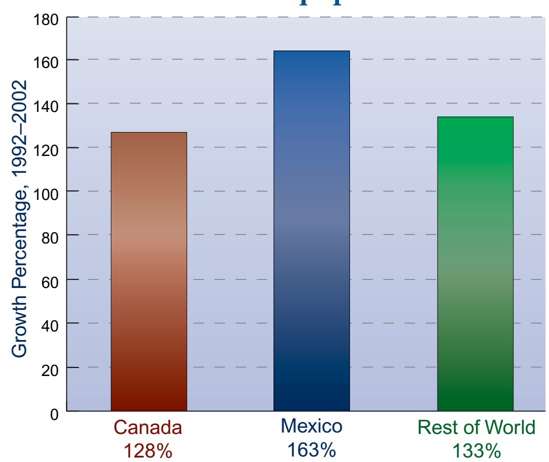
Scientific Equipment

Export Highlights

U.S. firms exported a total of $31.1 billion in scientific equipment in 2002, including $4.6 billion to Canada and $3 billion to Mexico. Together, our NAFTA partners account for 24% of total U.S. exports of scientific equipment.

NAFTA-Led U.S. Export Growth

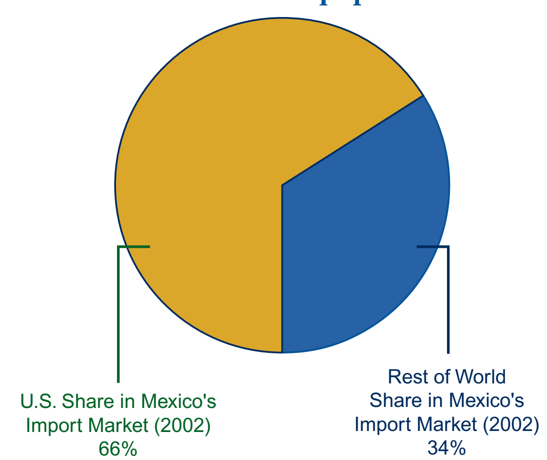
Scientific Equipment



From 1992 to 2002, U.S. scientific equipment firms increased exports to Canada by 128% and increased exports to Mexico by 163%.

U.S. Share in Mexico's Import Market

Scientific Equipment



In 2002, U.S. firms captured 66% of Mexico's scientific equipment import market and 67% of Canada's scientific equipment import market.

Industry Facts

- NAFTA eliminated Mexico's requirements on performance and exporting for assembly plant operations. As a result, U.S. firms benefit from closer economic integration through production-sharing with Mexican firms, which has contributed to increased U.S. competitiveness in this sector.

- The United States remains one of the world's largest producers of semiconductors, and a leader in high-end electronic components. U.S. firms now account for 15% of world exports in semiconductor products.

- NAFTA partners have realized benefits of the agreement as well. Mexico's exports of scientific equipment to the United States increased $548 million during 1992–2002, to $3.4 billion, while Canada's exports increased $675 million, to $1.8 billion.

- Mexico's electronics industry has realized real benefits from NAFTA. Under NAFTA, Mexico's Guadalajara region attracted many U.S. contract electronics manufacturers and assemblers that began producing parts for final products manufactured in Mexico. The U.S. and Mexican electronics sectors became more closely integrated as a result of NAFTA. In Guadalajara, 80% of all electronic component imports come from the United States, and 91% of local production is exported to the United States from this region.

Trade Barrier Elimination

NAFTA eliminated or significantly reduced all tariffs in scientific equipment for U.S. exporters. Now U.S. scientific equipment exporters enjoy duty-free access to Mexico while competing countries such as China and Japan face tariffs up to 23%. For example, U.S. exports of instant cameras and photographic equipment enter Mexico duty free while China and Japan are subject to a 23% tariff. U.S. exports of precision instruments such as manostats and voltage current regulators enter Mexico duty free, while Japanese and South Korean exports are subject to tariffs as high at 30%. This means that our exporters have a significant price advantage when selling in the Mexican market, enabling them to capture 66% of this import market.

NAFTA standardized customs procedures and increased transparency in both standards and government procurement, which significantly helped manufacturers in this sector.

Key Exporting States

Alabama, California, Illinois, Indiana, Michigan, New York, North Carolina, Ohio, Texas, Wisconsin

Success Stories

- **"Our company has benefited through lower tariffs from NAFTA and has increased sales as a result,"** says Troy Chipps, Vice President of AMS, Inc., of American Falls, Idaho. AMS is a manufacturer of scientific equipment.
- **"Left Hand Design, Inc. of Longmont, Colorado,** has benefited from NAFTA export licensing provisions into Canada, which have helped Left Hand Design enhance its international sales efforts," says Lawrence Germann, President and CEO of Left Hand Design. The company designs precision mechanisms for the aerospace, industrial, and commercial markets.

Employment Opportunities

The scientific equipment sector employs more than 122,000 people nationwide, and since NAFTA was implemented wages have increased 37%. Cost cutting, consolidation, and the introduction of new technologies have boosted productivity in this sector.

The Sector

The scientific equipment industry consists of control instruments used in production facilities, analytical laboratory instruments, photographic equipment, and electrical test and measuring instruments used in the semiconductor and telecommunications industries

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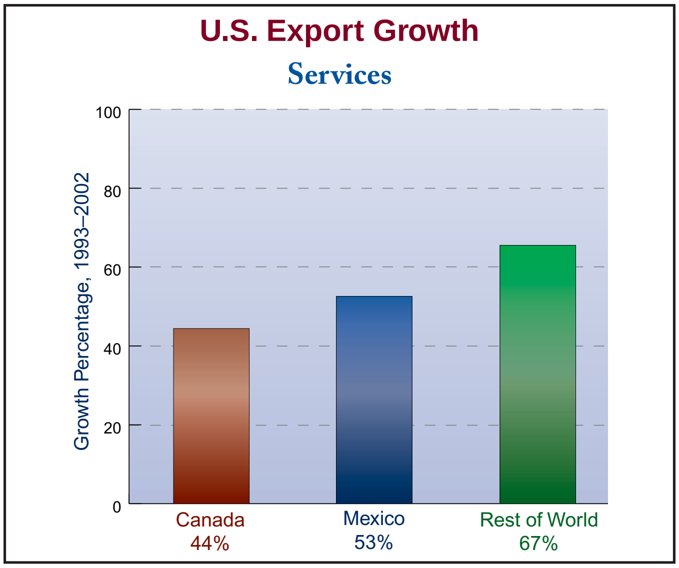
NAFTA 10 YEARS LATER

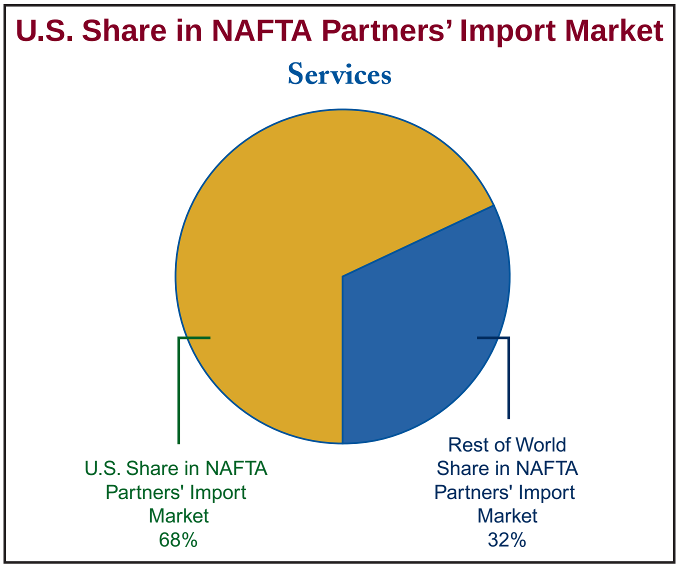
SERVICES

Export Highlights

U.S. firms exported a total of nearly $279.5 billion in services in 2002, up 63% since 1993. This included $24.3 billion to Canada and $15.9 billion to Mexico. Together, our NAFTA partners account for 14% of total U.S. services exports.



From 1993 to 2002, U.S. services firms increased exports to Canada by 44% and increased exports to Mexico by 53%.



In 2002, U.S. firms captured 68% of Canada's and Mexico's combined import market in services.

Industry Facts

- Sales of services by U.S. subsidiaries in Canada increased 176% from 1995 to 2001, to $51 billion. Sales of services by U.S. firms' Mexican subsidiaries more than tripled over this period, reaching $7.7 billion in 2002. The United States has a $74 million trade surplus in services.
- **The travel sector,** while not directly covered by NAFTA, benefited from NAFTA-driven trade and investment growth and is the single largest service traded between the United States and our NAFTA partners. Travel accounted for more than one-fourth of total U.S.-NAFTA commercial serivces exports in 2002. Canadian and Mexican travelers to the United States spent $11.8 billion in 2002, or 18% of all spending by foreign visitors.
- **Banking sectors** benefited from NAFTA-driven liberalization and increased integration across Canada, Mexico, and the United States. NAFTA eliminated all of Mexico's restrictions on market share in the banking sector and permits U.S. and Canadian investors to participate in the Mexican banking system through the acquisition of existing banks or the establishment of U.S. or Canadian-owned and -controlled subsidiaries. In 2002, U.S. financial services exports to Mexico totaled $290 million.
- **Insurance sectors** have flourished since NAFTA was implemented. NAFTA allows U.S. investors to participate in the Mexican insurance market via acquisitions, joint ventures, or subsidiaries. NAFTA eliminated Mexico's restrictions on purchases by its citizens of U.S. life and health insurance when in the United States. In 2002, U.S. insurance services exports to Canada totaled $302 million.

Industry Facts *(continued)*

- Canada and Mexico also have benefited from increased services trade since NAFTA. Together, Canada's and Mexico's services exports to the United States reached $29 billion in 2002, representing an 81% increase between 1993 and 2002. The United States has an $10.7 billion trade surplus in services with Canada and Mexico.

Trade Barrier Elimination

NAFTA eliminated several important barriers to U.S. services trade. NAFTA established the principle of "national treatment" for services trade by which governments must treat NAFTA members' services firms the same as local firms. NAFTA eliminated local presence requirements and quantitative restrictions that discriminate against non-local service providers. NAFTA also eliminated citizenship and permanent residency requirements for professional service providers of another NAFTA partner.

Success Stories

- **NAFTA-driven manufacturing growth along the U.S.-Mexico border has allowed 3D/International to increase its design and construction management projects** in Mexico, according to Alvaro Rizo-Patron, project manager at the San Antonio, Texas, office of the architectural firm.
- **Increases in NAFTA-related assembly operations have enabled Netlink Transaction Services, of Victor, New York, to increase exports of cross-border payroll and banking services.** This "virtual banking services provider" has increased the number of Mexican assembly plant workers in Mexico's border cities for whom it provides banking services from 6,000 to more than 100,000 over the past few years.
- **NAFTA has driven growth of bi-national companies, which in turn has increased business opportunities for Blue Shield of California,** according to Jim Arriola, Blue Shield's director for cross-border operations. The company provides health insurance to cross-border HMO services to workers employed by U.S. firms along the California-Mexico border.
- **"NAFTA has allowed us to expand our business in several ways," says William Demlong, vice president for investments, UBS Paine Webber, Scottsdale, Arizona.** By marketing new factories and assembly plants in Mexico as investment opportunities, UBS Paine Webber has increased its revenue as well as improved its clients' portfolios. In addition, clients who own or operate businesses that import from Mexico can do so more affordably, which allows them to utilize more of the firm's services.
- **Since NAFTA went into effect, CH2MHILL of Denver, Colorado, has benefited from increased U.S.-Canada and Canada-Mexico trade.** The company is the prime consultant and lead bridge engineer for two interchanges to ensure the free flow of traffic along the North/South Trade Corridor. The firm is responsible for detailed design services, tender package preparation, construction supervision, and administration of several contract packages.

Employment Opportunities, by Sector

Services industries employed 86 million U.S. workers in 2002, up from 69 million U.S. workers in 1993. Services industries accounted for nearly 80% of total U.S. private nonfarm employment in 2002, up from 75% in 1993.

Industries accounting for most of these jobs include retail trade (23 million); education (12 million); health services (11 million); finance, insurance, and real estate (8 million); wholesale trade (7 million); social services and membership organizations (6 million); transportation (4 million); recreational and entertainment services, including movies, radio, and television (3 million); and telecommunications (1 million).

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NAFTA 10 YEARS LATER

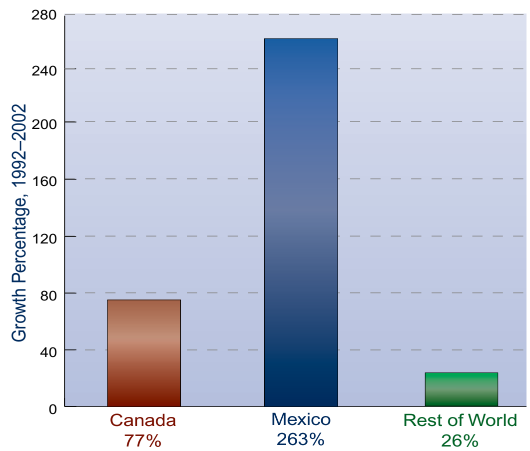
TEXTILES AND APPAREL

Export Highlights

U.S. firms exported a total of $15.6 billion in textiles and apparel in 2002, including $5.0 billion to Mexico and $3.1 billion to Canada. Together, our NAFTA partners account for 50% of total U.S. exports of textiles and apparel.

NAFTA-Led U.S. Export Growth

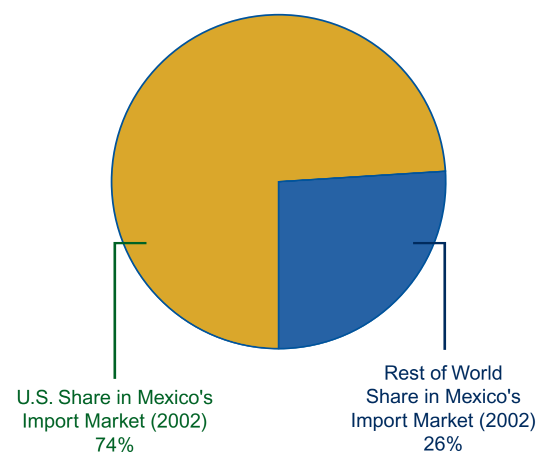
Textiles and Apparel



From 1992 to 2002, U.S. textile and apparel firms increased exports to Canada by 77% and increased exports to Mexico by 263%. U.S. exports to the rest of the world in this sector increased by 26%.

U.S. Share in Mexico's Import Market

Textiles and Apparel



In 2002, U.S. firms captured 74% of Mexico's textiles and apparel import market and 38% of Canada's textiles and apparel import market.

Industry Facts

- The United States imported more than $72 billion in textile and apparel products in 2002, including $3.2 billion from Canada and $8.6 billion from Mexico. U.S. imports from our NAFTA partners have a high U.S. content and therefore help to preserve U.S. jobs and increase sales opportunities for U.S. producers, as compared to imports from China, Hong Kong, and Taiwan, which have virtually no U.S. content.

- U.S. textile and apparel firms have benefited from NAFTA provisions including the "yarn forward" rule of origin and Mexican production-sharing arrangements. This has allowed them to optimize production and manufacturing.

- Advances in technology and manufacturing capabilities by capital-intensive U.S. textile and apparel firms have contributed towards competitiveness and productivity, increasing output and lowering labor costs.

- The apparel industry has retained more skilled and higher-paying jobs in such areas as computer-aided design and manufacturing, marketing, and product development. Lower-skilled apparel production jobs have moved offshore, in support of our production-sharing operations in Mexico and the Caribbean Basin, as well as to other countries with lower labor costs.

- U.S. investment in Canada and Mexico has nearly doubled since NAFTA was implemented, reaching $626 million in 2002.

- The United States remains the chief source of Mexico's textile and apparel imports.

Trade Barrier Elimination

NAFTA immediately eliminated tariffs—ranging from 10% to 20%—on $250 million of U.S. exports to Mexico, providing increased access for U.S. producers in denim, underwear, sewing thread, and many household furnishings. NAFTA tariff cuts and rules of origin give U.S. exporters greater market access and a price advantage up to 35% over competing exporters in Mexico's textiles and apparel market. Production sharing under NAFTA has been beneficial to U.S. fiber, yarn, and fabric producers. It has encouraged a shift in consumption toward NAFTA-made textiles and apparel with U.S. components and away from imported products with little or no U.S. content.

Key Exporting States

Alabama, California, Georgia, Mississippi, New York, North Carolina, Pennsylvania, South Carolina, Virginia

Success Story

- **NAFTA has helped Quaker Fabric of Fall River, Massachusetts,** in a variety of ways. Prior to NAFTA's implementation, Quaker could not export anything to Mexico. Today it has its own distribution center in Mexico City and showrooms in Mexico City and Guadalajara. The result: Quaker accounts for one-third of the Mexican upholstery fabric market. NAFTA has been beneficial for Quaker domestically as well. As a result of the new business, the firm has hired more than 150 new employees from the Fall River area.

Employment Opportunities

The U.S. textiles and apparel industry employs more than 750,000 people nationwide. Declining employment in this sector has been an ongoing trend for the past three decades, a development related mainly to productivity improvements and international competition. The adoption of new technologies has boosted productivity in this sector, and wages have increased 39% since NAFTA took effect.

The Sector

The textiles and apparel sector includes yarn, fabric, fabricated textile products such as home furnishings and carpets, and clothing.

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