



NAFTA 10 YEARS LATER

OVERVIEW

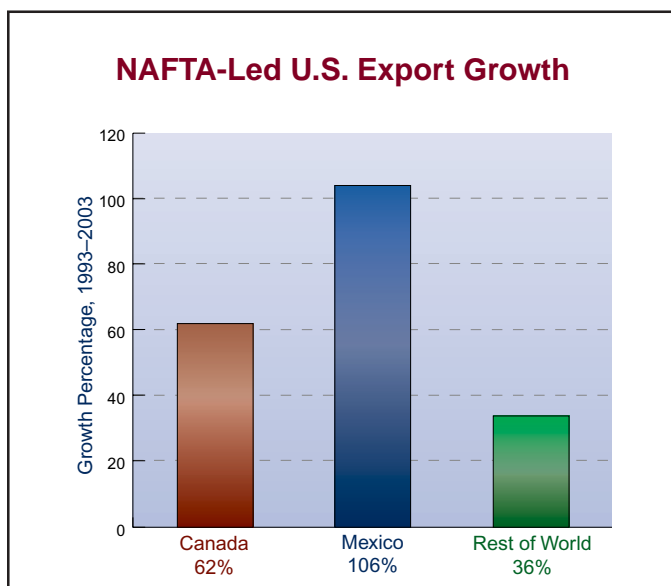
For the first time since NAFTA was implemented, the U.S. Department of Commerce has ten-year statistics on trade and other economic indicators. This provides the opportunity to consider how trade, investment, and employment have changed over the past decade in light of the NAFTA provisions on trade and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

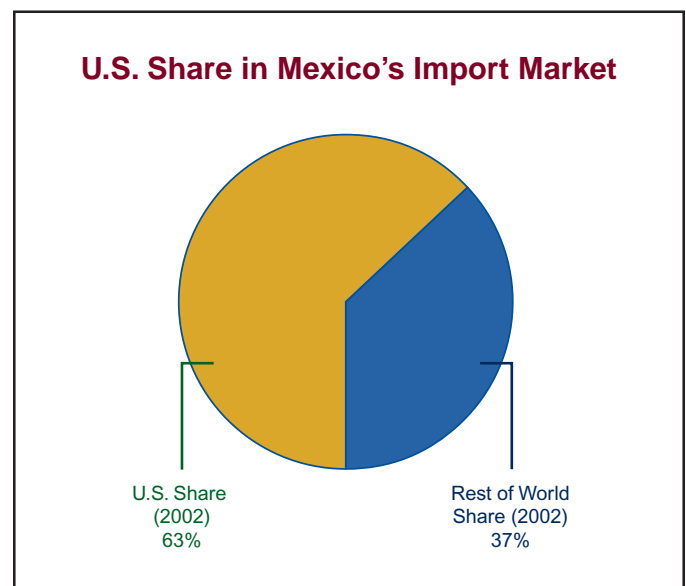
The Department of Commerce is finding overwhelming evidence across the United States that NAFTA-related trade and investment liberalization has allowed U.S. firms to maximize efficiencies, remain globally competitive, and increase sales and exports as a result. This is further evidence that increased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