

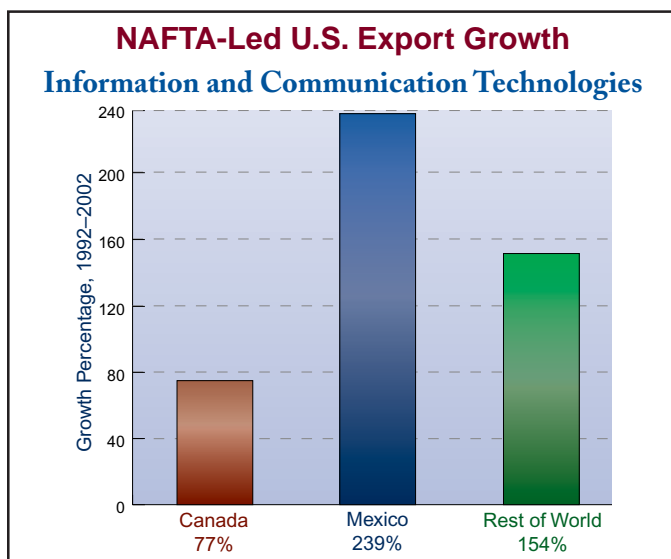


# NAFTA 10 YEARS LATER

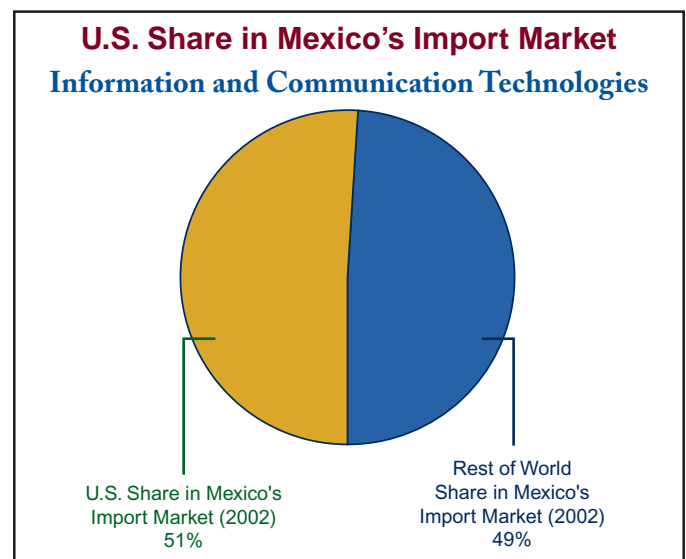
## INFORMATION AND COMMUNICATION TECHNOLOGIES

### 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.