

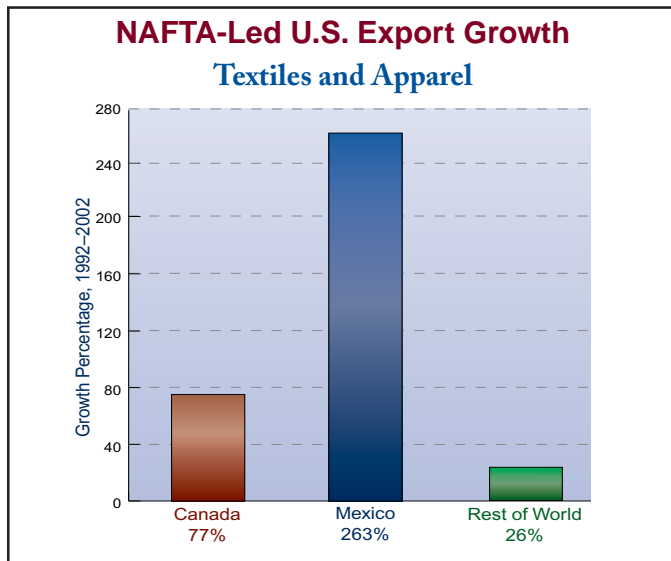


NAFTA 10 YEARS LATER

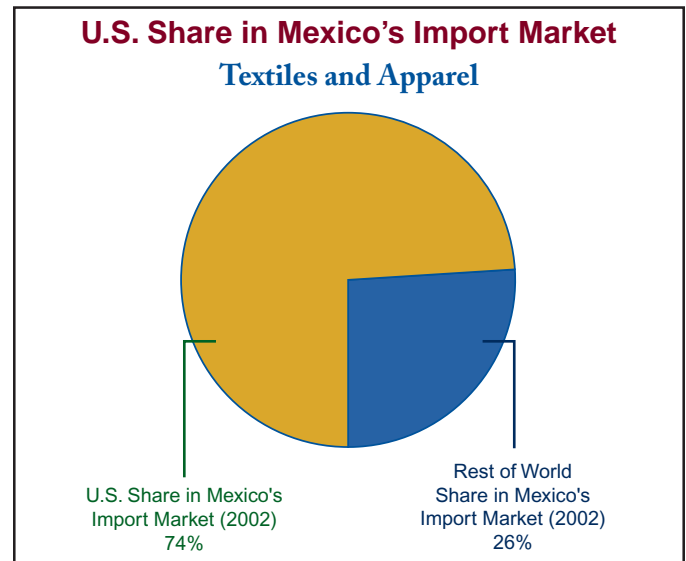
TEXTILES AND APPAREL

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.



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%.



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.