

# A Few Facts About the North American Free Trade Agreement (NAFTA)

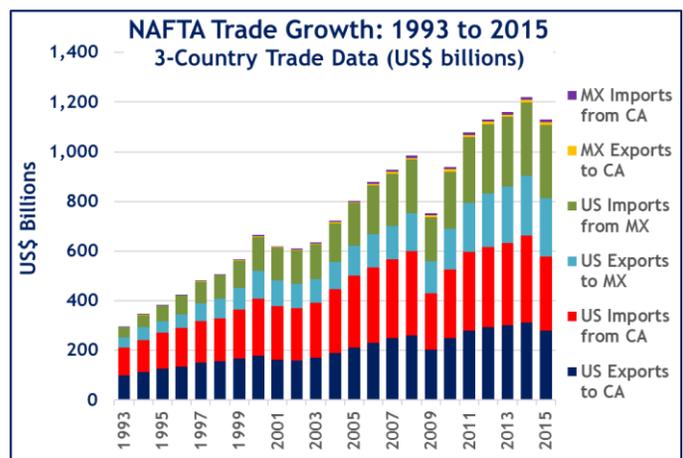
## What Is NAFTA and What Did NAFTA Do?

The North American Free Trade Agreement (which entered into force January 1994), is more than just a trade agreement that reduced tariff taxes and customs fees for products traded between the U.S., Mexico and Canada. Its 22 Chapters also included **strategically important benefits** such as provisions to **protect intellectual property rights**, provide **legal protections to investors** from the three countries, NAFTA region company **access to (and 'equal treatment' in) most Federal government public procurement contracts**, preferential **visas for business travel** and **free entry of commercial samples**, and it **opened many industry sectors to investment**. It also created tri-national processes to **harmonize product and safety standards, phytosanitary requirements, and product labeling** (which have historically created barriers to trade).

Many of these changes created by NAFTA **benefitted U.S. companies in entering markets** previously closed to investment, or **gave U.S. goods preferential treatment** (or improved pricing) compared to goods from non-NAFTA regions. **Some other important facts:**

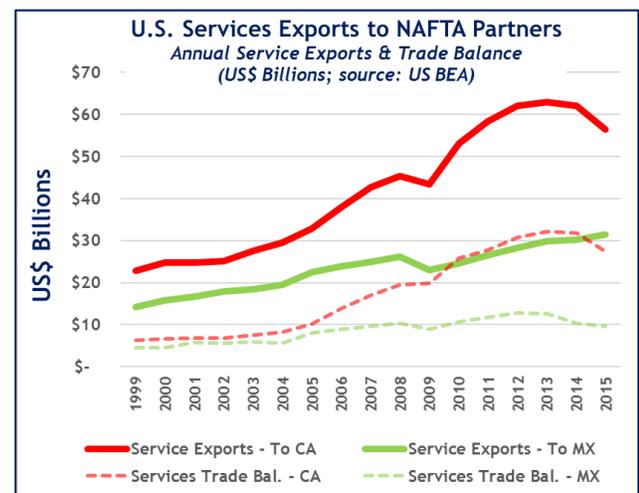
## NAFTA & North American Trade Growth

- With the reduction of trade barriers and growth of more-integrated supply chains, **trade between the three NAFTA partners has grown from US\$293 billion in pre-NAFTA North America to over US\$1.1 trillion in trade amongst the three countries in 2015. This is equal to over +280% growth - or an average of +12.7% per year.**
- Of these totals, U.S. exports made up a sizable amount of this trade in 2015: **US\$516 billion in goods exports to the combined markets of Canada and Mexico alone.**



## NAFTA & the U.S.' Trade in Services

- As the U.S. economy has shifted from an agricultural and manufacturing orientation to one emphasizing services, **exports in services** have become an increasingly important part of both international trade and our NAFTA relationship with Canada and Mexico. In fact, over the past decade, **Canada has typically been the #1 or #2 export market for U.S. services** (alternating with the U.K.). **In 2015, Mexico ranked as the U.S.' 6<sup>th</sup> largest services export market** (after the U.K., Canada, China, Japan, and Ireland).
- Data from the U.S. Bureau of Economic Analysis<sup>1</sup> show that **historically the U.S. has had a net positive Services trade balance with Canada and Mexico: in 2015, U.S. firms exported nearly US\$88 billion in services to our NAFTA partners** (US\$56.4B to Canada, US\$31.5B to Mexico) - with a **combined net positive trade balance of US\$37 billion.**

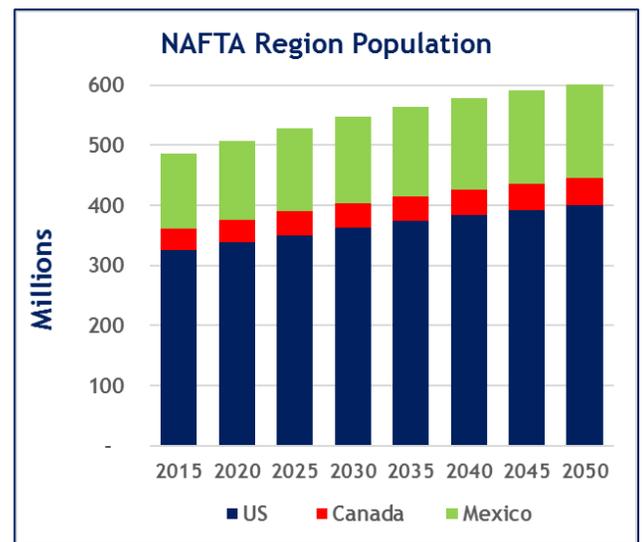


## NAFTA Partners Support Jobs in the US

- Although historic data prior to 2006/2007 isn't readily available, it's also important to consider that **companies from both Canada and Mexico have recognized the benefits of NAFTA and have expanded business operations into the United States** - contributing to jobs and household incomes with that growth.
- According to the U.S. Bureau of Economic Analysis, as of 2014, U.S.-based majority-owned affiliates of **Canadian and Mexican multinational companies employed nearly 700,000 workers in the U.S.** (621,000 from Canadian firms; 78,000 from Mexican firms)<sup>2</sup>.
- This direct economic benefit to the U.S. is in addition to any indirect job growth created by the **US\$600 billion in products and services exported to Canada and Mexico from U.S.-based manufacturers and service firms annually.**

## NAFTA as a Regional Market

- The NAFTA marketplace has around **480 million people**, with about two-thirds of those living in the United States.
- Using World Bank 2014 household final consumption expenditure (HFCE) data, **the NAFTA market made up nearly 30% of all global consumer purchases** (by value).
- By 2020, the NAFTA region will have just over 500 million people (approximately 6.5% of the global population).
- By 2050, it's projected the NAFTA region will have nearly **600 million people**, with around two-thirds of those living in the United States.



## Time to Renegotiate - or “Tear Up” - NAFTA?

While all trade agreements have flaws, NAFTA has helped the U.S., Canada and Mexico to: create standardized import/export documentation and reduced barriers to trade; develop real, enforceable legal mechanisms to protect contracts, investors, real estate and intellectual property across borders; promote improved health, safety, agricultural and environmental regulations amongst the three countries; as well as provide an important level of certainty and competitive edge against offshore, global competitors in Asia and elsewhere (that generally use much lower proportions of U.S. supplies in their supply chains).

The rules that embody NAFTA have been periodically updated - a scenario that the three NAFTA partners anticipated, and that should continue to occur in 2017 and beyond. **Renewing North America's trade rules (via a renegotiation) should be a goal of the U.S., Mexico and Canada** - to better reflect changes in global trade patterns and new opportunities. **“Tearing it up”, however, exposes all three countries to economic and trade disruptions, higher costs for consumer goods, and removes important consistency in safety and health standards - as well as puts workers from all three countries at unnecessary risk in an increasingly competitive global marketplace.**

<sup>1</sup> [https://www.bea.gov/iTable/index\\_ita.cfm](https://www.bea.gov/iTable/index_ita.cfm)

<sup>2</sup> <https://www.bea.gov/international/factsheet/index.cfm>