



2001 UPDATE

NAFTA

DELIVERS FOR

CALIFORNIA

Council of the Americas
and
The U.S. Council of the
Mexico-U.S. Business Committee

NAFTA DELIVERS FOR CALIFORNIA

2000 REPORT*

Prepared for the
Council of the Americas
and
the U.S. Council of the
Mexico-U.S. Business Committee

by

The Trade Partnership
Washington, DC

September 2001

* In June 1997, the Council of the Americas produced a study entitled *The Impact of the North American Free Trade Agreement on California*, prepared by The Trade Partnership. The 1997 study looked at NAFTA's impact from 1993 to 1996. This study was previously updated in May 1998, August 1999, and August 2000. If you would like to obtain a copy of the previous studies, please call the Council of the Americas at (202) 639-0724.

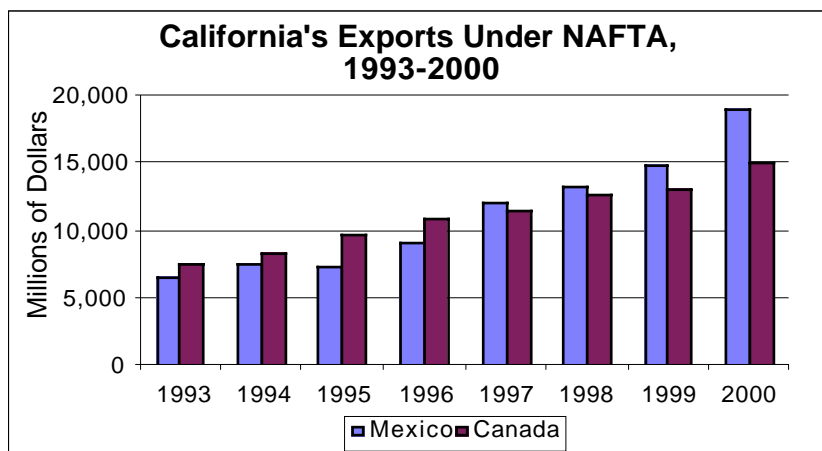
NAFTA DELIVERS FOR CALIFORNIA

2000 REPORT

The North American Free Trade Agreement (NAFTA) once again brought great benefits to the state of California in 2000. NAFTA has led to a dramatic increase in exports of California products to Canada and Mexico since it was implemented in 1994. Both large corporations and small businesses in California are benefiting from NAFTA and the number of jobs supported by trade with the NAFTA partners has risen significantly under the agreement. International trade is increasingly important to state economies and local communities. This report demonstrates that NAFTA has been a clear success for the state of California.

NAFTA AND TRADE

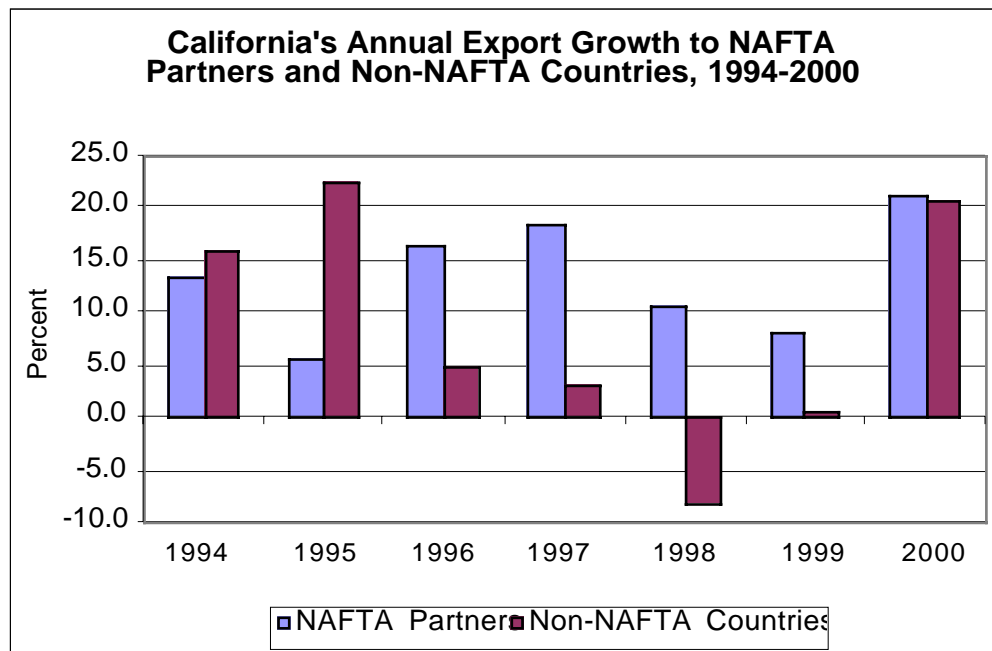
- Exports from California to Mexico and Canada continued to grow under NAFTA in 2000. Overall, state exports to NAFTA partners grew 21.1 percent during the year to total \$34.1 billion. California's exports to Mexico expanded by 27.6 percent and exports to Canada rose 13.8 percent in 2000.
- California's exports to NAFTA partners have increased 139.9 percent since the trade agreement was implemented on January 1, 1994, representing a 191.8 percent growth of state exports to Mexico and a 95.9 percent growth of state exports to Canada.
- In 2000, Mexico and Canada were California's first- and third-largest export markets, respectively, accounting for 26.3 percent of California's total exports.



Source: Massachusetts Institute for Social and Economic Research (MISER)

EXPORT GROWTH UNDER NAFTA

- NAFTA bolstered exports from California through the continued elimination of tariffs in 2000. Virtually all U.S. products can now enter Canada duty-free. In 2000, the average Mexican tariff applied to U.S. goods was 1.3 percent.
- NAFTA has eliminated Mexican and Canadian tariffs on U.S. exports of computer equipment and software. High-technology manufactured goods continued to lead California's exports to both Mexico and Canada in 2000. California's exports of electronic equipment to Mexico expanded 38.4 percent in 2000, while state exports of industrial machinery and computers to Mexico also grew quickly, up 35.7 percent. In 2000, these two sectors accounted for 55.3 percent of California's total exports to Mexico. California's exports of high-technology instruments to Canada advanced strongly in 2000, up 17.5 percent from the year before. Industrial machinery and computers, electronic equipment and instruments accounted for 64.5 percent of total state exports to Canada in 2000.
- State exports to Mexico of rubber products soared during 2000, increasing 16.2 percent to \$800.6 million. Exports of rubber products from California to Canada also recorded strong growth during 2000, rising 7.2 percent to \$208.7 million.
- California's farm sector also profited from exports of agricultural products to Mexico and Canada in 2000. Agricultural exports to Canada reached \$1.0 billion in 2000, while exports to Mexico were \$231.1 million. NAFTA has eliminated virtually all Canadian tariffs on U.S. agricultural products. Although Mexican tariffs on U.S. agricultural products will not be fully eliminated until 2008, many products exported by California to Mexico are already duty-free, including strawberries, pears, plums, and apricots.
- In 2000, California's exports to NAFTA partners experienced the strongest growth since the Agreement was implemented on January 1, 1994.



Source: Massachusetts Institute for Social and Economic Research (MISER)

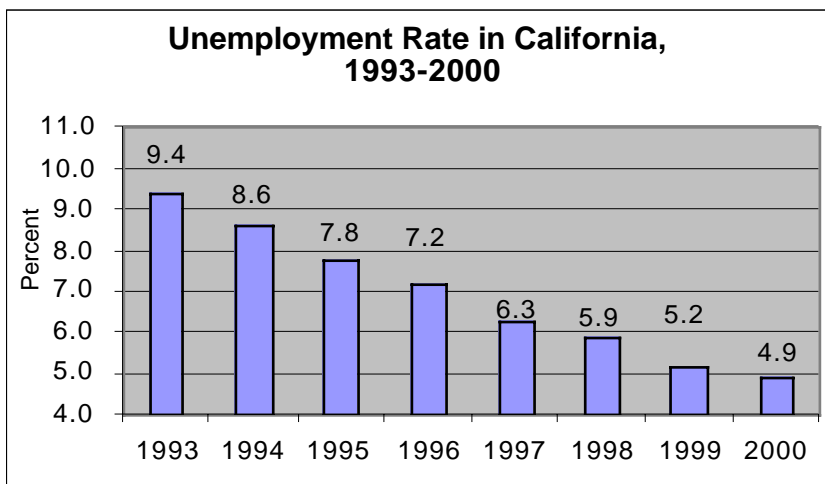
COMPANIES BENEFITING FROM NAFTA

*In mid-2000, **Blue Shield of California** (San Francisco) became the first California-based health insurance provider to offer cross-border HMO services to workers employed by U.S. companies along the California-Mexican border. Although not directly related to the services provisions of NAFTA, "the business opportunity to provide these services is driven by the growth of bi-national companies, which has been driven by NAFTA," says Jim Arriola, Blue Shield's director for cross-border operations.¹*

***Aegir International** (Murrieta) is a small export distributor of physical therapy equipment. According to Terry Waligora, president of the company, "One of our customers in Mexico City used to place orders of \$300 or \$400 at a time, every few months. During the last year, their orders have averaged \$5,000 every month. This customer made it clear to me during a telephone conversation last month that most of the increase in business is due to the tariff reductions under NAFTA." The company's business in Mexico has grown in frequency and size during 2000 and it sees continued solid growth for the coming year.²*

EMPLOYMENT GAINS UNDER NAFTA

- In 2000, California's production of goods for export to Mexico directly supported approximately 90,695 jobs, while state exports to Canada directly supported an additional 71,785 jobs, for a total of over 162,480 jobs.³ The actual number of jobs benefiting from trade with NAFTA partners is much higher, once related jobs in transportation, banking, finance and other sectors are included.
- The Department of Labor certified approximately 3,454 California workers for NAFTA Trade Adjustment Assistance (TAA) in 2000. However, TAA program officials emphasize that a NAFTA-TAA certification does not imply that job losses were necessarily due to NAFTA. Workers certified under NAFTA-TAA are often adversely affected by increased imports from many countries, including Mexico and Canada. Further, it should be recognized that imports from and shifts of production to Mexico and Canada occurred before as well as after the enactment of NAFTA.



Source: Bureau of Labor Statistics, U.S. Department of Commerce.

California's Exports to Canada

(Millions)

	1993	1994	1995	1996R	1997	1998	1999	2000
Total	\$7,689.2	\$8,467.3	\$9,678.6	\$10,766.6	\$11,425.8	\$12,672.7	\$13,236.5	\$15,061.9
<i>Agricultural products*</i>	884.8	836.1	888.8	816.9	890.6	895.7	905.2	1,004.9
Agricultural crops	851.4	803.2	856.1	781.4	856.1	866.1	874.0	972.5
Other agricultural products	33.4	32.9	32.7	35.5	34.5	29.6	31.2	32.4
<i>Manufactured products</i>	6,586.2	7,380.9	8,532.8	9,671.9	10,266.4	11,487.5	11,686.1	13,309.9
Industrial mach., computers	2,117.5	2,466.4	2,914.6	3,210.3	3,237.7	3,644.7	3,865.5	4,388.0
Electronic, electrical equip.	1,566.2	1,834.6	2,431.1	2,880.1	3,078.5	3,582.4	3,513.2	4,275.6
Instruments & related products	499.5	524.9	553.3	618.3	640.1	781.6	881.9	1,045.2
Food and related products	508.9	522.0	527.3	620.4	652.7	722.5	683.1	676.6
Transportation equipment	425.3	476.2	451.2	498.7	702.5	687.2	726.6	671.6
Chemicals & related products	239.8	250.5	306.0	306.9	334.3	360.0	365.8	426.4
Fabricated metal products	185.9	266.7	286.0	438.9	375.7	364.1	345.4	345.7
Rubber and plastic products	125.3	123.5	146.0	145.5	157.3	173.4	194.7	208.7
Apparel products	78.2	54.2	67.9	83.9	120.8	156.9	154.9	204.3
Primary metals	135.0	119.9	116.9	189.0	133.5	183.9	157.7	186.3
Printing and publishing	153.3	111.7	115.0	88.5	103.0	103.8	98.4	113.4
Stone, clay and glass products	55.6	52.5	64.6	68.2	72.9	79.7	86.1	101.8
Paper and related products	39.9	50.9	68.1	83.0	85.2	78.8	68.2	94.7
Furniture and fixtures	48.2	56.2	65.7	61.0	73.3	74.8	66.5	66.5
Lumber and wood products	86.8	96.2	87.3	52.0	65.0	54.9	62.4	62.8
Other manufactured products	320.8	374.5	331.8	327.2	433.9	438.8	415.8	442.2
<i>Other industries</i>	218.0	250.3	257.0	277.9	268.8	289.5	645.2	747.1

* MISER data significantly understate the actual value of state agriculture exports to Canada. Indeed, this understatement also means that the total value of California's exports to Canada is understated.

Notes: Data beginning in 1996 are not directly comparable with data for earlier years due to a change in the method of distribution of state export data. Industry totals may not equal the sum of the sectors due to rounding.

Source: Massachusetts Institute for Social and Economic Research (MISER), State of Origin Exports, Series 1.

California's Exports to Mexico (Millions)

	1993	1994	1995	1996R	1997	1998	1999	2000
Total	\$6,521.6	\$7,657.6	\$7,362.9	\$9,086.8	\$12,082.4	\$13,343.9	\$14,916.0	\$19,029.5
<i>Agricultural products*</i>	118.3	175.9	111.3	167.7	204.2	212.7	174.1	231.1
Agricultural crops	80.4	132.6	91.8	148.8	170.0	184.2	151.6	206.2
Other agricultural products	37.9	43.3	19.5	18.9	34.2	28.5	22.5	24.9
<i>Manufactured products</i>	6,277.4	7,350.4	7,100.9	8,724.9	11,630.3	12,891.1	14,414.0	18,412.0
Electronic, electrical equip.	1,504.5	2,047.5	2,376.3	2,820.9	4,006.5	4,539.7	5,029.6	6,949.9
Industrial mach., computers	1,043.8	1,347.0	1,144.1	1,492.1	2,081.6	2,314.8	2,634.5	3,575.4
Fabricated metal products	315.3	324.8	350.8	451.4	473.4	652.1	725.6	804.5
Rubber and plastic products	321.3	427.1	423.1	560.2	598.6	556.9	688.9	800.6
Chemical & related products	306.5	376.1	361.9	457.6	607.8	595.9	602.7	691.5
Apparel products	215.7	224.3	200.2	291.0	424.0	487.8	579.9	650.5
Food and related products	380.9	429.3	316.0	379.2	485.3	575.3	598.2	648.3
Primary metal industries	342.7	309.7	345.5	392.3	481.3	500.9	540.7	648.1
Paper and related products	242.6	279.4	288.0	384.0	430.5	469.1	521.1	640.7
Instruments & related products	280.8	267.8	215.2	275.2	370.6	468.4	435.3	591.2
Transportation equipment	288.3	266.8	244.4	208.3	314.7	378.0	475.6	588.4
Textile mill products	57.6	73.3	95.5	126.7	140.8	174.3	274.4	365.1
Petroleum and coal products	202.1	202.5	143.9	152.3	248.1	189.1	221.2	350.2
Lumber and wood products	300.8	233.7	172.5	179.1	198.1	231.4	264.3	298.6
Stone, clay and glass products	68.7	67.9	53.8	82.8	107.0	136.0	170.2	196.0
Other manufactured products	405.8	473.2	369.7	471.8	662.0	621.4	651.8	613.1
<i>Other industries</i>	125.8	131.1	150.6	194.4	247.6	239.6	327.7	386.4

* MISER data significantly understate the actual value of state agriculture exports to Mexico. Indeed, this understatement also means that the total value of California's exports to Mexico is understated.

Notes: Data beginning in 1996 are not directly comparable with data for earlier years due to a change in the method of distribution of state export data. Industry totals may not equal the sum of the sectors due to rounding.

Source: Massachusetts Institute for Social and Economic Research (MISER), State of Origin Exports, Series 1.

ENDNOTES

- ¹ Interview with Jim Arriola, Director for Cross Border Operations, Blue Shield of California by The Trade Partnership, August 3, 2001.
- ² Success story provided by the Office of NAFTA and Inter-American Affairs, U.S. Department of Commerce, August 2001.
- ³ Derived from Lester Davis, U.S. Jobs Supported by Goods and Services Exports, 1983-94, U.S. Department of Commerce, Economics and Statistics Administration, November 1996.

COUNCIL OF /
The Americas

680 Park Avenue
New York, NY 10021
(212) 628-3200

1310 G Street, N.W.
Suite 690
Washington, DC 20005
(202) 639-0724

www.counciloftheamericas.org

**U. S. Council
Mexico-U.S. Business Committee**

1310 G Street, N.W.
Suite 690
Washington, DC 20005
(202) 639-0724