

## **NAFTA DELIVERS FOR CALIFORNIA**

### **2001 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 2002

\* 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, August 2000, and September 2001. If you would like to obtain a copy of the previous studies, please call the Council of the Americas at (202) 639-0724.

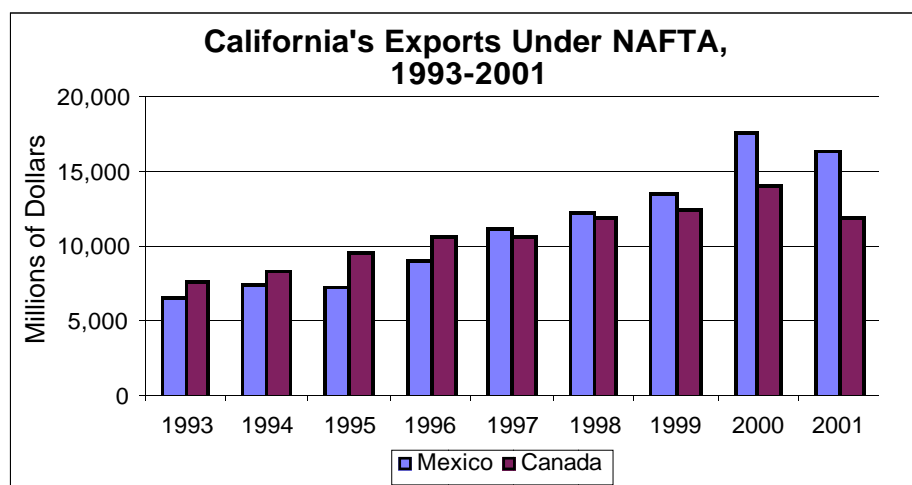
## NAFTA DELIVERS FOR CALIFORNIA

### 2001 REPORT

The North American Free Trade Agreement (NAFTA) once again brought solid benefits to the state of California in 2001. 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

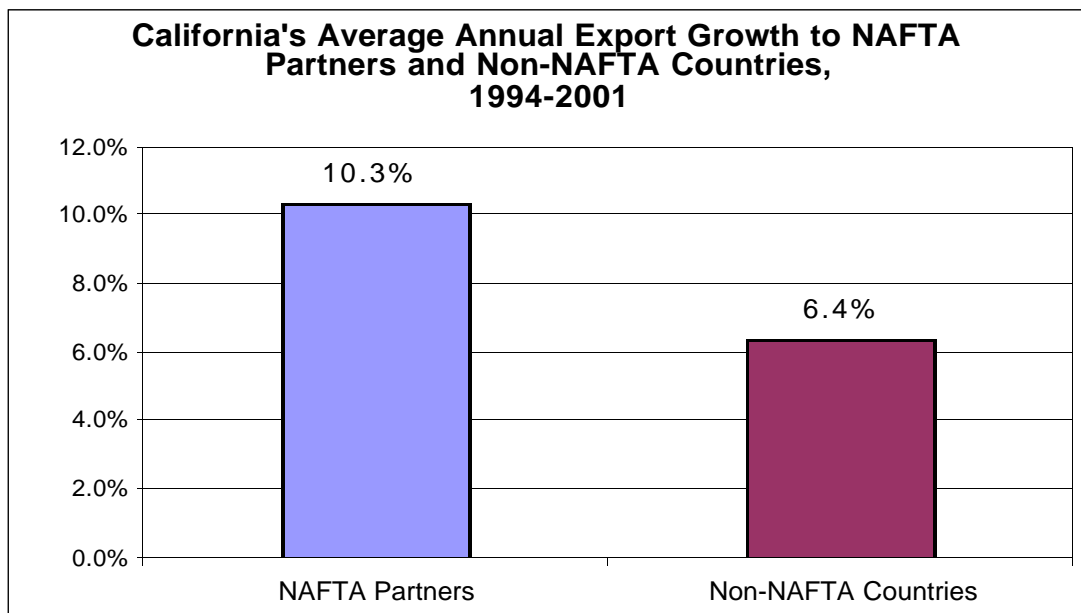
- Exports from California to Mexico and Canada continued to benefit from NAFTA in 2001. Overall, state exports to NAFTA partners reached \$28.2 billion during the year. California's exports to Mexico topped \$16.3 billion and exports to Canada reached \$11.8 billion in 2001.
- California's exports to NAFTA partners have increased 98.2 percent since the trade agreement was implemented on January 1, 1994, representing a 150.6 percent growth of state exports to Mexico and a 53.7 percent growth of state exports to Canada.
- In 2001, Mexico and Canada were California's first- and third-largest export markets, respectively, accounting for 26.4 percent of California's total exports.



Source: Massachusetts Institute for Social and Economic Research (MISER), SIC basis, for 1993-1996; U.S. Bureau of the Census, NAICS basis, for 1997-2001

## **EXPORT GROWTH UNDER NAFTA**

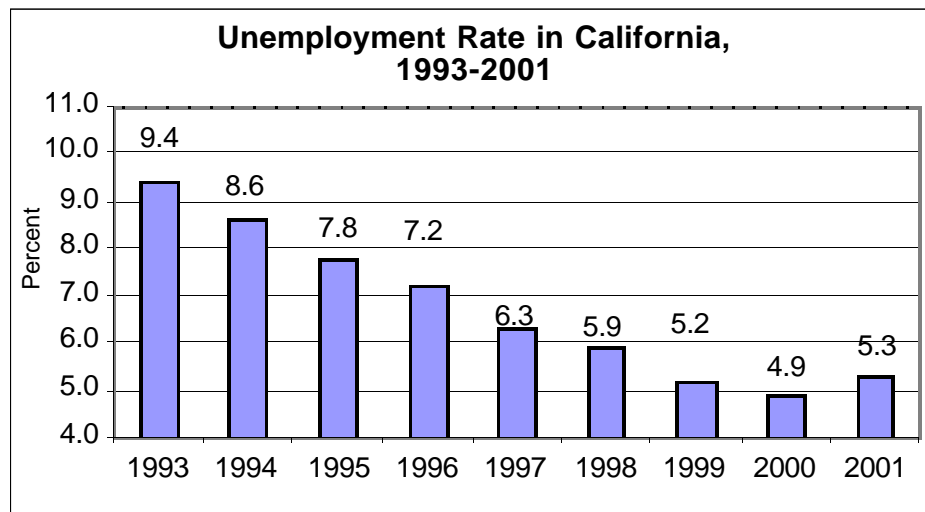
- NAFTA bolstered exports from California through the continued elimination of tariffs in 2001. Virtually all U.S. products can now enter Canada duty-free. In 2001, the average Mexican tariff applied to U.S. goods was less than 1 percent.
- NAFTA has eliminated Mexican and Canadian tariffs on U.S. exports of computer equipment and software. High-technology manufactured goods continued to lead California's exports to both Mexico and Canada in 2001. California's exports of computers and electronic products to Mexico totaled \$5.4 billion in 2001, while state exports of electrical equipment, appliances, and parts to Mexico totaled \$619.2 million. In 2001, these two sectors accounted for 45.4 percent of California's total exports to Mexico. California's exports of high-technology instruments to Canada remained strong in 2001. Computers and electronic products, electrical equipment, appliances, and parts totaled \$5.7 billion and accounted for 48.5 percent of total state exports to Canada in 2001.
- State exports of non-electrical machinery benefited from NAFTA in 2001. California's exports of these products to Mexico reached \$1.4 billion, making them the state's second-largest export to that country. Non-electrical machinery exports from California to Canada were also strong in 2001, totaling \$681.1 million
- California's farm sector also profited from exports of agricultural products to Mexico and Canada in 2001. Overall agricultural exports to Canada reached \$888.6 million in 2001, while exports to Mexico were \$236.3 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.
- On average, California's annual exports to NAFTA countries grow at a higher rate than do state exports to the rest of the world.



Source: Massachusetts Institute for Social and Economic Research (MISER), SIC basis, 1994-1997; U.S. Bureau of the Census, NAICS basis, 1998-2001

## **EMPLOYMENT GAINS UNDER NAFTA**

- In 2001, California's production of goods for export to Mexico directly supported approximately 77,891 jobs, while state exports to Canada directly supported an additional 56,315 jobs, for a total of over 134,206 jobs.<sup>1</sup> 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 4,523 California workers for NAFTA Trade Adjustment Assistance (TAA) in 2001. 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	1997	1998	1999	2000	2001
<b>Total</b>	<b>\$7,689.2</b>	<b>\$10,759.1</b>	<b>\$11,875.6</b>	<b>\$12,381.6</b>	<b>\$14,075.9</b>	<b>\$11,816.0</b>
<i>Agricultural products*</i>	<i>n.a.</i>	824.3	820.5	783.6	869.1	888.6
Agricultural crops	n.a.	790.9	791.6	749.5	836.1	856.3
Other agricultural products	n.a.	33.4	28.9	34.1	33.0	32.3
<i>Manufactured products</i>	<i>n.a.</i>	9,297.1	10,383.1	10,944.2	12,510.2	10,262.9
Computer & electronic products	n.a.	5,168.7	5,936.0	6,421.9	7,663.9	5,361.5
Transportation equipment	n.a.	697.2	692.7	730.4	693.4	1,002.4
Machinery, except electrical	n.a.	574.7	631.3	662.7	755.4	681.1
Food & kindred products	n.a.	487.8	542.6	542.2	528.5	540.2
Misc. manufactured commodities	n.a.	406.7	500.4	500.9	485.1	487.1
Chemicals	n.a.	344.4	372.7	374.4	424.5	398.9
Elect. equip., appliances, & parts	n.a.	385.6	393.8	467.6	581.7	372.8
Fabricated metal products	n.a.	333.2	320.8	301.6	314.2	306.8
Plastics & rubber products	n.a.	131.1	142.2	159.7	169.1	165.2
Apparel & Accessories	n.a.	88.0	114.3	113.0	140.1	153.0
Printed matter & related products	n.a.	92.9	93.2	88.6	102.2	129.3
Beverages & tobacco products	n.a.	80.0	94.3	98.5	107.8	105.1
Primary metal products	n.a.	96.4	140.4	99.0	109.6	96.2
Petroleum & coal products	n.a.	73.4	66.6	38.3	42.0	90.1
Nonmetallic mineral products	n.a.	61.3	68.3	73.6	85.6	87.8
Other manufactured products	n.a.	275.7	273.5	271.8	307.1	285.4
<i>Other industries</i>	<i>n.a.</i>	637.7	672.0	653.8	696.6	664.5

\* MISER and Census 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.

n.a.: Data are not available.

Note: 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, SIC basis, for 1993.  
U.S. Bureau of the Census, State Exports by Origin of Movement, NAICS basis, for 1997-2001.

# California's Exports to Mexico

(Millions)

	1993	1997	1998	1999	2000	2001
<b>Total</b>	<b>\$6,521.6</b>	<b>\$11,133.2</b>	<b>\$12,177.4</b>	<b>\$13,559.2</b>	<b>\$17,515.5</b>	<b>\$16,343.1</b>
<i>Agricultural products*</i>	<i>n.a.</i>	200.3	214.5	175.9	227.2	236.3
Agricultural crops	<i>n.a.</i>	161.2	177.6	147.0	201.0	205.4
Other agricultural products	<i>n.a.</i>	39.1	36.9	28.9	26.2	30.9
<i>Manufactured products</i>	<i>n.a.</i>	10,661.4	11,655.1	13,106.8	16,950.3	15,832.8
Computer & electronic products	<i>n.a.</i>	4,579.4	4,916.2	5,662.5	8,025.0	6,799.9
Machinery, except electrical	<i>n.a.</i>	791.4	944.3	1,072.8	1,327.0	1,352.4
Food & kindred products	<i>n.a.</i>	404.5	475.1	485.0	569.6	807.0
Fabricated metal products	<i>n.a.</i>	445.0	619.0	701.4	745.0	783.9
Plastics & rubber products	<i>n.a.</i>	537.0	495.9	612.2	719.3	762.2
Chemicals	<i>n.a.</i>	558.0	552.4	556.8	644.5	693.8
Transportation equipment	<i>n.a.</i>	342.3	379.3	509.2	579.1	650.1
Elect. equip., appliances, & parts	<i>n.a.</i>	455.8	566.9	510.4	760.7	619.2
Paper	<i>n.a.</i>	388.2	424.8	471.2	580.3	562.4
Apparel & Accessories	<i>n.a.</i>	370.9	421.5	493.0	568.0	538.0
Misc. manufactured commodities	<i>n.a.</i>	588.2	553.3	534.3	538.5	495.9
Primary metal products	<i>n.a.</i>	382.9	395.8	423.7	498.7	471.3
Textiles & fabrics	<i>n.a.</i>	119.3	148.8	233.9	318.6	364.8
Petroleum & coal products	<i>n.a.</i>	229.8	176.0	207.5	329.1	257.3
Wood products	<i>n.a.</i>	164.7	195.5	212.4	254.5	217.2
Other manufactured products	<i>n.a.</i>	304.0	390.1	420.5	492.4	457.4
<i>Other industries</i>	<i>n.a.</i>	271.5	307.8	276.5	338.0	274.0

\* MISER and Census 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.

*n.a.*: Data are not available.

Note: 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, SIC basis, for 1993.  
U.S. Bureau of the Census, State Exports by Origin of Movement, NAICS basis, for 1997-2001.

## **ENDNOTE**

- <sup>1</sup> 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.

## **SPECIAL NOTE ON THE DATA**

The U.S. Government no longer publishes state export data using the Standard Industrial Classification (SIC) sectoral categories. The new basis for classifying data is the North American Industrial Classification System (NAICS). Therefore, this NAFTA report now presents data using NAICS categories. Unfortunately, NAICS data are only available for the 1997-2001 period; data for earlier years are only available for SIC-based classifications, and these classifications are not comparable to seemingly similar NAICS categories. Therefore, 1993 sectoral data are no longer presented in these studies. As a consequence, this report is not comparable to earlier reports in this series.