NAFTA TRIUMPHANT

Assessing Two Decades of Gains in Trade, Growth, and Jobs

U.S. CHAMBER OF COMMERCE

Executive Summary

- With a two-decade record to examine, it's plain the North American Free Trade Agreement (NAFTA) has generated substantial new opportunities for U.S. workers, farmers, consumers, and businesses.

- Since NAFTA entered into force in 1994, trade with Canada and Mexico has nearly quadrupled to $1.3 trillion, and the two countries buy more than one-third of U.S. merchandise exports.

- Trade with Canada and Mexico supports nearly 14 million U.S. jobs, and nearly 5 million of these net jobs are supported by the increase in trade generated by NAFTA, according to a comprehensive economic study commissioned by the U.S. Chamber.

- The expansion of trade unleashed by NAFTA supports tens of thousands of jobs in each of the 50 states—and more than 100,000 jobs in each of 17 states.

- NAFTA has been a boon to the competitiveness of U.S. manufacturers, which added more than 800,000 jobs in the four years after NAFTA entered into force. Canadians and Mexicans purchased $487 billion of U.S. manufactured goods in 2014, generating nearly $40,000 in export revenue for every American factory worker.

- NAFTA has been a bonanza for U.S. farmers and ranchers, helping U.S. agricultural exports to Canada and Mexico to increase by 350%.

- With new market access and clearer rules afforded by NAFTA, U.S. services exports to Canada and Mexico have tripled, rising from $27 billion in 1993 to $92 billion in 2014.

- Canada and Mexico are the top two export destinations for U.S. small and medium-size enterprises, more than 126,000 of which sold their goods and services in Canada and Mexico in 2013.

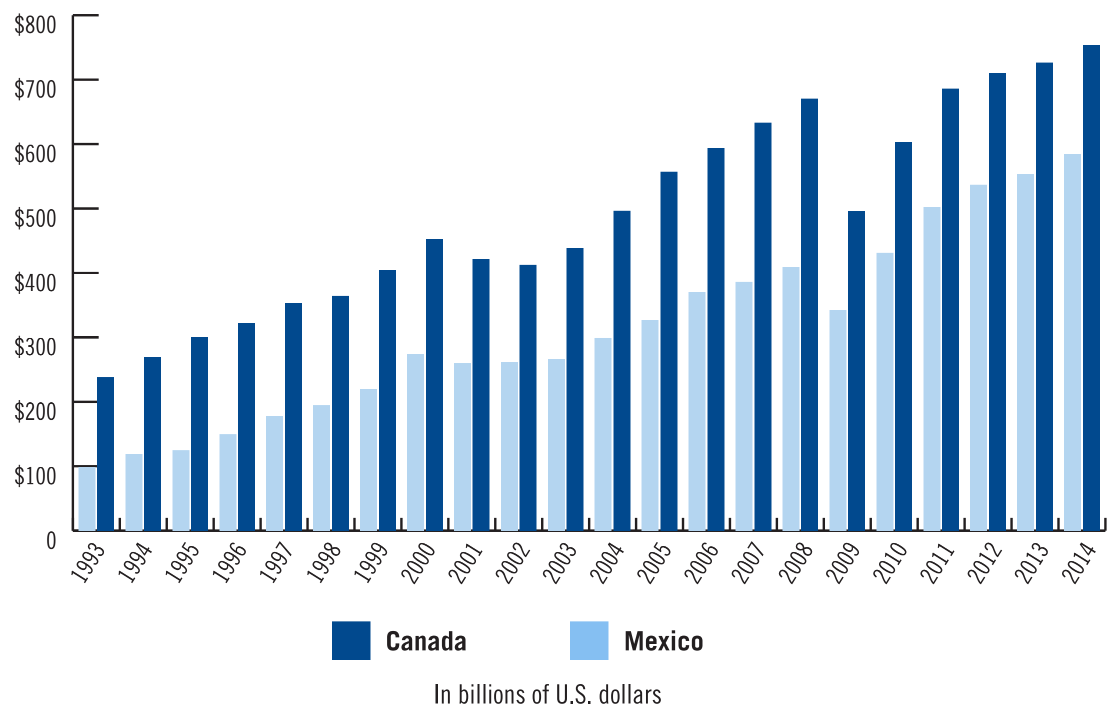
NAFTA TRIUMPHANT

Signed on December 17, 1992, the North American Free Trade Agreement (NAFTA) entered into force on January 1, 1994. Many of its provisions were implemented immediately or within a few years, but a final handful of trade barriers were lifted on January 1, 2008. As a result, North America has become a virtually tariff-free trade zone, and a host of nontariff barriers to international commerce have been eliminated as well.

As this report shows, NAFTA has succeeded spectacularly in boosting cross-border trade, economic growth, and good jobs. Understanding this success is more important than ever. While the agreement's impact has at times been exaggerated, it has proven to be the most important and beneficial trade agreement in U.S. history with the exception of the Uruguay Round agreement that created the World Trade Organization (WTO) just one year after NAFTA entered into force.

The bottom line is that NAFTA has supported millions of good jobs, raised standards of living, and enhanced the competitiveness of North American industry in a rapidly changing global economy. However, the United States can't rest on its laurels. In calling attention to NAFTA's impressive record, the U.S. Chamber of Commerce urges elected officials and business leaders in Canada, Mexico, and the United States to build on this foundation in the years ahead.

U.S. Trade with Canada and Mexico since NAFTA's Entry into Force



SUCCESS STORIES

Marlin Steel Wire Products LLC

NAFTA brings new sales and ease of business.

Location: Baltimore, Maryland • **Website:** www.marlinwire.com

Marlin Steel Wire Products LLC is a leading manufacturer of custom wire baskets, wire forms, and precision sheet metal fabrication assemblies. The company caters to global clients from the pharmaceutical, medical, industrial, aerospace, and automotive industries. With a full-time team of engineers and industry-leading technology, Marlin Steel is able to produce a world-class product.

Marlin Steel has been exporting for eight years, with sales now going to more than 20 countries. One-fourth of the company's 33 employees are employed as a direct result of its export success.

Canada and Mexico are vital markets for Marlin Steel. Each year, 10% of its sales go to those markets. In other words, Marlin Steel's employees enjoy two or three paychecks a year thanks to sales in Canada and Mexico.

Drew Greenblatt, president of Marlin Steel, emphasizes the importance of international trade and the impact it can have on small business. "NAFTA is a good thing for our country," he explains. "It added new markets that we needed, and now it's a piece of cake to do business with Canada and Mexico."

Greenblatt says that the United States should continue to pursue more trade agreements vigorously. "From a business perspective, the foremost goal of U.S. trade policy should be to tear down barriers so that companies like mine can start exporting to new markets," he says. "Free trade agreements have helped us accomplish this in the past and will help our business grow in the future."

The Rationale

In assessing NAFTA, it's worthwhile reflecting on the basic premise under which it was negotiated.

While the United States receives substantial benefits from trade, the international playing field is sometimes unfairly tilted against American workers. The U.S. market is largely open to imports from around the world, but many other countries continue to levy steep tariffs on U.S. exports, and foreign governments have erected other kinds of barriers against U.S. goods and services. To different degrees and varying by sector, this was the case with Canada before the Canada-U.S. Free Trade Agreement of 1989 and with Mexico before NAFTA.

Americans rightly sense that this status quo is unfair to U.S. workers, farmers, and businesses. Even today, U.S. goods arriving in foreign markets face a mean tariff of 5.9%, according to the World Bank. That's more than four times the U.S. level, but tariffs often soar into the double digits in many emerging markets, particularly for key U.S. manufactured goods and agricultural exports. These barriers are particularly burdensome for America's small and medium-size companies.

The U.S. Chamber believes that American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade. Trade agreements should treat American manufacturers, service providers, farmers, and ranchers the same as their foreign competitors.

This was the principal rationale for NAFTA—to generate economic growth, new exports, and good jobs and do so in a way that is fundamentally fair. On this score, the agreement has been a dramatic success for American workers, farmers, ranchers, and companies—as it has for Canadians and Mexicans. Its tremendous commercial gains are the proof in the pudding.

Trade

The remarkable results of NAFTA are most obvious in the nearly fourfold rise in U.S. commerce with Canada and Mexico since the agreement entered into force. U.S. trade in goods and services with Canada and Mexico rose from $337 billion in 1993 to $1.338 trillion in 2014. Each day, the United States conducts more than $3.6 billion in trade with its North American neighbors.[1]

Canada and Mexico are the two largest markets in the world for U.S. exports, purchasing more than one-third of U.S. merchandise exports ($553 billion in 2014 or 34% of total goods exports). U.S. exports of goods and services to Canada and Mexico have more than tripled since NAFTA entered into force, from $169 billion in 1993 to $645 billion in 2014. U.S. imports from Canada and Mexico have also risen substantially under NAFTA, reaching $692 billion in 2014.

The trade boom continues. U.S. merchandise exports to Canada and Mexico rose by 66% over the past five years. In fact, our North American neighbors provided 39% of all growth in U.S. merchandise exports in the 2009-2014 period. In dollar terms, U.S. merchandise exports to Canada and Mexico rose by $219 billion over the past five years, an increase 2.7 times larger than the dollar increase in U.S. merchandise exports to the four BRIC economies (Brazil, Russia, India, and China).

In 2014, Canada (population 36 million) again edged the European Union (population 500 million) as the top market for U.S. goods exports. U.S. merchandise exports to Mexico (population 125 million) were nearly double those to China (population 1.4 billion), which is the third largest national market for U.S. exports.

Imports from Canada and Mexico provide direct benefits to Americans as well. They mean lower prices for American families as they try to stretch their budgets—and for companies seeking raw materials and other inputs. In recent decades, lower U.S. tariffs have stimulated American productivity through greater competition in the

Each day, the United States conducts more than $3.6 billion in trade with its North American neighbors.

U.S. Trade with Canada and Mexico Under NAFTA

U.S. EXPORTS	1993	2000	2014	% Change 1993-2014
To Canada - merchandise	100,444	178,941	312,420	211.0%
To Canada - services	17,016	24,613	62,946	269.9%
To Canada - total	117,460	203,554	375,366	219.6%
To Mexico - merchandise	41,581	111,349	240,249	477.8%
To Mexico - services	10,394	15,532	29,658	185.3%
To Mexico - total	51,975	126,881	269,907	419.3%
To both - merchandise	142,025	290,290	552,669	289.1%
To both - services	27,410	40,145	92,604	237.8%
Grand total exports	169,435	330,435	645,273	280.8%
U.S. IMPORTS				
From Canada - merchandise	111,216	230,838	347,798	212.7%
From Canada - services	9,106	17,875	30,579	235.8%
From Canada - total	120,323	248,713	378,377	214.5%
From Mexico - merchandise	39,918	135,926	294,074	636.7%
From Mexico - services	7,428	10,780	20,182	171.7%
From Mexico - total	47,345	146,706	314,256	563.8%
From both - merchandise	151,134	366,765	641,872	324.7%
From both - services	16,534	28,655	50,761	207.0%
Grand total imports	167,668	395,420	692,633	313.1%
TOTAL TRADE				
With both - merchandise	293,159	657,055	1,194,541	307.5%
With both - services	43,944	68,800	143,365	226.2%
With Canada	237,783	452,267	753,743	217.0%
With Mexico	99,320	273,587	584,163	488.2%
Grand total	337,103	725,855	1,337,906	296.9%

Source: U.S. Census Bureau, Foreign Trade Division, and U.S. Department of Commerce, Bureau of Economic Analysis.
Millions of U.S. dollars

NAFTA TRIUMPHANT

SUCCESS STORIES

Western Forms, Inc.

NAFTA eliminated tariffs on its exports to Canada and Mexico.

Location: Kansas City, Missouri • **Website:** www.westernforms.com

Western Forms Inc. is one of the many U.S. companies that have benefitted from NAFTA's significant tariff reductions for American exports to Canada and Mexico.

Founded in 1955, this family business is a global leader in concrete forming systems. Western Forms has 115 employees in its facility in Kansas City, Missouri, and exports to more than 50 countries. Its products have been used to build hundreds of thousands of concrete homes around the world.

The firm has been providing aluminum forming systems for a wide range of structures to Canada and Mexico for more than 30 years. In recent years, half its sales have gone to those markets.

Dan Ward, Director of Trade Finance for Western Forms, has been a strong advocate for the benefits of NAFTA. "There was a 10% tariff on our product before NAFTA, which was a barrier to entry in Canada and Mexico," he says. "Thanks to NAFTA, the tariff was phased out over five years." The benefits in new sales and new jobs are plain to see.

Frontline Communications

"Emerging market expansion drives our international growth."

Location: Clearwater, Florida • **Website:** www.frontlinecomm.com

Frontline Communications, an Oshkosh Corporation Company, is a leading manufacturer of broadcast and satellite vehicles used for gathering and broadcasting the news.

With 175 employees based in its Clearwater, Florida, manufacturing facility, the company has sold vehicles to 36 countries. Frontline has been doing business with Canada and Mexico for more than 20 years. In 2013, 2014 and 2015, the company delivered television trucks to customers in Canada and Mexico.

Bob King, international sales manager of Frontline Communications, says that the company's motto is "Build here, Sell it there." "We need to look outside the United States for future sales," he says.

King is an advocate for additional trade agreements and applauds the new U.S.-Colombia trade agreement, which has brought him additional business. "Now we need a free trade agreement with Brazil and India," he says. "Protectionist duties in those countries are stifling U.S. exports there while they export huge volumes to the United States."

marketplace and brought greater product choices to U.S. producers and consumers. According to the Peterson Institute for International Economics, this has brought "a gain in annual income of about $10,000 per household."[2]

Above all, two decades of economic integration under NAFTA have made it less and less relevant to look at North American trade through a mercantilist lens. As officials and business leaders in Canada, Mexico, and the United States have pointed out with growing frequency, North Americans increasingly "make things together," employing "global value chains" that cross national borders.

This approach leads to efficiencies that have proven vital to the global competitiveness of North American industry. In the highly integrated auto sector, for example, it is common for cars assembled in the Great Lakes region to cross the U.S.-Canada border half a dozen times as they are assembled. In turn, American exports of motor vehicles increased 89% between 2009 and 2014, topping 2 million cars and trucks for the first time in 2014. A growing share is headed to Asia, the Middle East, and other locations: U.S.-built cars shipped to China have risen sevenfold since 2009.

Few Americans are aware that the United States in 2014 registered trade surpluses with its NAFTA partners in manufactured goods ($23 billion) and services ($41 billion).

One study found that "one-quarter of U.S. imports from Canada consist of value added from the United States itself, and a huge 40% of U.S. final good imports from Mexico consist of its own [U.S.] value added."[3] As former Mexican Ambassador to the United States Arturo Sarukhan has pointed out, "For every dollar that Mexico earns from exports, 50 cents are spent on American goods."[4]

Nonetheless, foes of NAFTA for years have emphasized the U.S. trade balance in their criticisms. Of note, the labor union-funded Economic Policy Institute (EPI) has issued regular reports leading with the contention that NAFTA produced trade deficits that, in turn, destroyed U.S. jobs. For example, the latest of these reports contends that 682,900 U.S. jobs have been "lost or displaced" due to bilateral trade deficits the authors attribute to NAFTA.[5] EPI has attracted local media coverage by providing state-by-state breakdowns of these supposed job losses.

There are a number of problems with this line of argument, but one is a simple matter of fact: In its trade with Canada and Mexico, the United States in 2014 registered a $23.3 billion trade surplus in manufactured goods[6] and a $41.8 billion trade surplus in services.[7]

The United States did register a $41 billion combined trade deficit with Canada and Mexico in 2014, but the U.S. status as a net energy importer is the driver. While the shale revolution has reduced the U.S. trade deficit in oil and gas as domestic production has increased, the United States still recorded a trade deficit in these products with Canada and Mexico of $104 billion in 2014. If current energy trends continue, this deficit may decline. In any event, it is irrelevant to a sober assessment of NAFTA.

Myths and Facts about NAFTA

Myth: NAFTA sent U.S. factory jobs abroad with a "giant sucking sound."

Fact: It never happened. U.S. manufacturers added more than 800,000 jobs in the four years after NAFTA entered into force, according to the Bureau of Labor Statistics. This boom in factory jobs came after a period before NAFTA entered into force (1980–1993) when the United States lost nearly 2 million manufacturing jobs. The only "giant sucking sound" was that of surging U.S. exports to Canada and Mexico, which have nearly quadrupled since NAFTA entered into force and topped $645 billion in 2014.

Myth: NAFTA added to the U.S. trade deficit.

Fact: In 2014, the United States registered trade surpluses with its NAFTA partners in manufactured goods ($23 billion) and services ($41 billion). The fact that substantial U.S. petroleum imports from Canada and Mexico contribute to the overall U.S. trade deficit stems from geology—not NAFTA.

Myth: NAFTA has contributed to unemployment.

Fact: The U.S. unemployment rate was markedly lower in the years immediately after NAFTA came into force (it averaged 5.1% in 1994–2007) than in the period immediately before (it averaged 7.1% in 1982–1993). Trade with Canada and Mexico supports nearly 14 million U.S. jobs, and nearly 5 million of these jobs are supported by the increase in trade generated by NAFTA, according to a comprehensive economic study commissioned by the U.S. Chamber.

Jobs

To provide a more serious economic analysis of the relationship between trade agreements and job creation, the U.S. Chamber of Commerce commissioned a study in 2010 entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*.[8] The study examined U.S. free trade agreements (FTAs) implemented with a total of 14 countries, including Canada and Mexico.

The study employed the gold standard economic model used by economists worldwide: a computable general equilibrium model known as the Global Trade Analysis Project (GTAP). This model, developed in the early 1990s, is now maintained—and constantly enhanced—by a consortium of more than 30 U.S. and international organizations, including the U.S. International Trade Commission, the World Trade Organization, the World Bank, and half a dozen U.S. government agencies. The study was prepared by Dr. Joseph François, an individual member of the GTAP consortium, and Laura M. Baughman, President of The Trade Partnership.

The results of this comprehensive study are impressive: Trade with Canada and Mexico supports a net total of nearly 14 million U.S. jobs, and of this sum, nearly 5 million U.S. jobs are supported by the increase in trade generated by NAFTA. No other budget neutral initiative undertaken by the U.S. government has generated jobs on a scale comparable to NAFTA, with the exception of the multilateral trade liberalization begun in 1947.

These benefits extend to every U.S. state. Forty-three U.S. states exported at least $1 billion in goods to Mexico and Canada last year. The Chamber study shows that NAFTA generated an increase in these exports as well as imports that supports an additional 575,000 and 387,000 jobs in California and Texas, respectively. (See table for details.)

Trade with Canada and Mexico supports nearly 14 million U.S. jobs, and nearly 5 million of these net jobs are supported by the increase in trade generated by NAFTA.

NAFTA critics claiming that the agreement has led to the net loss of U.S. jobs would do well to review the historical record. In its aforementioned study, EPI contends that 61% of the 415,000 U.S. jobs "lost or displaced" due to trade with Mexico were in manufacturing industries. However, Bureau of Labor Statistics data show that U.S. manufacturers added more than 800,000 jobs in the four years after NAFTA entered into force. This boom in factory jobs came after a period before NAFTA entered into force (1980–1993) when the United States lost nearly 2 million manufacturing jobs.

For context, total U.S. private sector employment has risen from 91.8 million in December 1993 to 120.1 million in July 2015, according to the Bureau of Labor Statistics. This represents an increase of more than 28 million jobs, or a 30% expansion in the number of Americans working.

In addition, the U.S. unemployment rate was markedly lower in the years immediately after NAFTA came into force, according to data from the Bureau of Labor Statistics. In the period 1994-2007, the U.S. unemployment rate averaged 5.1%. This compares with an average rate of 7.1% during a period of similar length just before NAFTA entered into force (1982–1993). While the 2007–2009 recession caused unemployment to rise sharply, it had nothing to do with NAFTA.

Did NAFTA lead to the creation of 28 million American jobs and reduce U.S. unemployment rates by 2 percentage points? No. However, NAFTA clearly did not generate the wave of job losses attributed to it by organized labor.

Finally, most economists believe that NAFTA's most significant effect on jobs—particularly in a period of low unemployment such as the United States enjoyed in the years immediately after NAFTA entered into force—was to gradually alter the mix of jobs by creating more high-

skill, high-wage jobs and fewer low-skill, low-wage jobs. According to Commerce Department research, jobs tied to exports pay wages that are typically 18% higher than those that are not, so the shift in the mix of U.S. jobs toward more export-oriented industries represents a net gain for working Americans.[9]

Manufacturing

U.S. manufacturers have been among the principal beneficiaries of NAFTA. Again, the broad historical context is important to this assessment.

Data from the Federal Reserve Bank of St. Louis show that U.S. real manufacturing output rose by approximately 80% over the past 25 years.[10] This represents the continuation of a long trend: U.S. manufacturing value-added has grown eightfold since 1947 in real terms.

In fact, contrary to popular misconception, the United States remains the world's largest manufacturer, accounting for 19.3% of world manufacturing value added in 2014, according to the United Nations Industrial Development Organization (UNIDO),[11] the best source for internationally comparable data. The U.S. share of world manufacturing output, on a value-added basis, has remained fairly steady for about four decades.

American manufacturers were hammered by the painful 2007–2009 recession and a steep fall in demand. But throughout the preceding two decades, U.S. manufacturers set new records for output, revenues, profits, profit rates, and return on investment.

The same can't be said of factory jobs. According to the Bureau of Labor Statistics, U.S. manufacturers employed 16.8 million workers when NAFTA entered into force in January 1994, a figure that then rose over the next four years to top 17.6 million in 1998. Sharp job losses in U.S. manufacturing in the recessions of 2001–2002 and 2007–2009 brought the number of Americans employed in manufacturing to a new low of 11.4 million in early 2010. A largely export-driven recovery had boosted manufacturing employment to 12.3 million by mid-2015.

Where have the lost manufacturing jobs gone? Not to Mexico or Canada—or China. Rather, most of these jobs have been lost to a country called "productivity." Technological change, robotics, automation, and widespread use of information technologies have enabled firms to boost output even as some have cut payrolls. Research suggests that technological advances are making sophisticated capital goods substitutes for low-skilled workers.

This productivity revolution is a complex phenomenon. NAFTA critics are correct when they say that manufacturing employment hit a peak and then began a steady decline. However, the peak was in 1979, 15 years before NAFTA came into force. This phenomenon is also worldwide: A RAND study found that China shed 25 million manufacturing jobs between 1994 and 2004, 10 times more than the United States lost in the same period.[12]

Today, as American manufacturers struggle with a weak recovery, exports to Canada and Mexico are more important than ever. Canadians and Mexicans purchased $487 billion of U.S.

manufactured goods in 2014—a sum representing 34.7% of all the exports produced by the 12.3 million Americans employed in manufacturing.

In other words, the NAFTA market generates export revenue of nearly $40,000 for each American factory worker. Compare this with the annual pay and benefits of the typical U.S. manufacturing worker—$77,500. How could manufacturers make their payrolls without the revenues they earn by exporting to Canada and Mexico? The short answer is, they couldn't.[13]

Finally, it's no surprise that Canada and Mexico are the top two export destinations for U.S. small and medium-size enterprises (SMEs) that export (most of which are manufacturers). More than 126,000 U.S. SMEs exported to Canada and Mexico in 2013, and they represented more than 95% of U.S. exporters to the NAFTA market. Their 2012 exports topped $117 billion, representing more than one-quarter of all SME exports worldwide.[14]

Agriculture

For American farmers and ranchers, NAFTA has been a bonanza. U.S. agricultural exports to Canada and Mexico topped $41 billion in 2014, a 350% increase from just $9 billion in 1993.

U.S. agricultural exports to Canada expanded at a compound annual rate of 7.9% between 1988 (the last year prior to implementation of the Canada-U.S. Free Trade Agreement) and 2012. Canada was the largest agricultural export market of the United States prior to 2013, when it was overtaken by China. Given that China's population is nearly 40 times that of Canada, it is remarkable that Canada fell to second place only recently.

U.S. farms and ranches supply 59% of Canadian agricultural imports. Grains, fruit, vegetables, meat, and related products make up about 60% of U.S. agricultural exports to Canada.[15] As in manufacturing, however, Canadian and U.S. farmers and ranchers work in an integrated and interdependent marketplace. According to the U.S. Department of Agriculture (USDA), "U.S.-Canada agricultural trade is marked by a substantial amount of intra-industry trade, particularly in value-added products."[16] This includes co-production of processed foods such as pet foods, bakery products, breakfast cereal, and pastas. There is significant intra-industry trade in wheat products and beef, for example.

Canada and Mexico are the top two export destinations for U.S. small and medium-size enterprises, more than 126,000 of which exported their goods within the NAFTA market.

NAFTA did even more to open the Mexican market for U.S. farmers and ranchers. As a USDA report emphasized, "Mexico does not produce enough grains and oilseeds to meet internal demand, so the country's food and livestock producers import sizable volumes of these commodities to make value-added products, primarily for the domestic market. In turn, U.S. fruit and vegetable imports from Mexico are closely tied to Mexico's expertise in producing a wide range of produce, along with its favorable climate and a growing season that largely complements the U.S. growing season."[17] U.S. agricultural exports to Mexico expanded at a compound annual rate of 9.1% between 1993 and 2012.

Prior to NAFTA, Mexico's tariffs were highest for agricultural products. NAFTA allowed American farmers and ranchers to get past those barriers.

As a result, U.S. agricultural exports to Mexico have quintupled since NAFTA entered into force, and the United States today supplies three-quarters of Mexico's agri-food imports. According to the USDA, grains, oilseeds, meat, and related products make up about three-quarters of U.S. agricultural exports to Mexico.[18]

Services

NAFTA has brought significant benefits to U.S. services industries, which generate more than 80% of U.S. economic output and private sector employment. The United States is by far the world's largest exporter of services, which surpassed $710 billion in 2014. It is home to large numbers of successful services firms in such sectors as audiovisual, banking, energy services, express delivery, information technology, insurance, and telecommunications.

Thanks to new market access and clearer rules afforded by NAFTA, U.S. services exports to Canada and Mexico have tripled, rising from $27 billion in 1993 to $92 billion in 2014. Services imports from Canada and Mexico also expanded, growing from $17 billion to $50 billion.

NAFTA eliminated trade barriers in most services sectors in Canada and especially Mexico, many of which were closed to U.S. participation prior to NAFTA. NAFTA has also ushered in greater transparency in the regulations that set the rules of the road for services markets.

The Future

What's next for this extraordinary partnership and the 14 million Americans whose jobs it supports? For the U.S. business community, North America is much more than a geographical descriptor. Canada, Mexico, and the United States together represent an expanded North American home market for U.S. workers, farmers, and companies. Without this broader, integrated market, U.S. enterprises would be significantly less competitive on the global stage.

Behind North America's impressive trade statistics lies an integrated web of cross-border supply chains that enhances the competitiveness of all three countries in global markets and gives each country a fundamental stake in one another's success. This interdependence is reflected in the high percentage of U.S. content found in Canada's and Mexico's exports to the United States and the world.

However, this successful economic model faces new challenges. The U.S. borders with Canada and Mexico "thickened" considerably as new security measures were implemented in the wake of the attacks of September 11, 2001. While some enhanced security is necessary, some measures have been constructed in ways that have increased the costs of doing business with America's two largest trading partners.

Recent joint initiatives with Canada and Mexico are a step in the right direction. These include the U.S.-Canada Regulatory Cooperation Council, the U.S.-Mexico High Level Regulatory Cooperation Council, the 21st Century Border Action Plan with Mexico, and the Beyond the Borders Action Plan with Canada. They represent the type of collaboration that is needed to maximize North American competitiveness in global markets.

Business efforts complement these government-to-government initiatives. For example, the U.S. Chamber, together with leading Mexican trade association *Consejo Coordinador Empresarial* (CCE), oversees the U.S.-Mexico CEO Dialogue, an initiative designed to provide sector recommendations to advance North American competitiveness. Specifically, Dialogue chief executives are focused on four key sectors: energy, infrastructure, workforce development, and mobility of high-skilled workers.

Exports to Canada and Mexico generate nearly $40,000 in annual export revenue for every American factory worker.

The synergies across the North American economies in all four of these areas are too powerful to ignore. Recent developments across our continent in the energy space—that have allowed us to tap previously inaccessible sources of energy such as shale and renewables—require a commensurate investment in regional infrastructure to reach local and global consumers. Simultaneously, historic growth-oriented reforms in the energy sector and elsewhere in Mexico necessitate enhanced efforts to develop human capital and facilitate movement of skilled workers across continental borders. Because such objectives will remain unmet on a continental scale unless Canadian chief executives are part of the process, both Mexican and U.S. Dialogue leaders share the long-term aim of making the CEO Dialogue a truly trilateral endeavor.

In the meantime, the Trans-Pacific Partnership (TPP) represents an important opportunity to consolidate at least some of these efforts to advance North American competitiveness. The strategic value of the decision to invite Canada and Mexico to join these negotiations is self-evident. Given the existing level of integration in the North American market, it would be counterproductive for the United States to forge new global precedents for the rules governing trade without the active participation of both Canada and Mexico. By jointly addressing third-party tariff treatment, rules of origin, regulatory cooperation, and other trade and investment issues, the United States can work with its neighbors to maximize the strength of the North American economy.

Conclusion

NAFTA is more important than ever. Members of the U.S. Chamber of Commerce have seen its benefits firsthand as it has generated new opportunities for American workers, farmers, consumers, and businesses—as it has for Canadians and Mexicans. As the United States considers the path forward for the North American economic partnership, NAFTA should continue to play the foundational role it has for the past two decades.

Endnotes

1. Unless otherwise noted, all trade statistics are from the U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division, except for agricultural trade statistics, which are from the U.S. Department of Agriculture. Like U.S. federal agencies and most other private sector analysts, for goods trade this report refers to total U.S. exports and general imports. More narrowly-focused trade data—exports of domestic merchandise, further excluding U.S. goods returned, and imports for consumption, also excluding U.S. goods returned—show the same trends as those referred to in this report. Indeed, one of the main aims of this report is to show the co-production that has emerged among Canada, Mexico, and the United States and how it has enhanced the global competitiveness of North American industry and agriculture.

2. Gary Clyde Hufbauer and Paul L.E. Grieco, "The Payoff from Globalization," *The Washington Post*, June 7, 2005: http://www.iie.com/publications/opeds/oped.cfm?ResearchID=524, viewed on September 8, 2015.

3. Robert Koopman, William Powers, Zhi Wang, and Shang-Jin Wei, "Give Credit Where Credit is Due: Tracing Value Added in Global Production Chains," National Bureau of Economic Research, Working Paper 16426, p. 25, http://www.nber.org/papers/w16426, viewed on September 8, 2015.

4. Arturo Sarukhan, *Mexico Dispatch*, "Trade That Goes Around, Comes Around," Embassy of Mexico, November 2010.

5. Robert E. Scott, "Heading South: U.S.-Mexico trade and job displacement after NAFTA," Economic Policy Institute, May 3, 2011: http://www.epi.org/publication/heading_south_u-s-mexico_trade_and_job_displacement_after_nafta1/, viewed on September 8, 2015.

6. U.S. Department of Commerce, International Trade Administration: http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003368.pdf, viewed on September 8, 2015.

7. U.S. Department of Commerce, Bureau of Economic Analysis: http://www.bea.gov/iTable/index_ita.cfm, viewed on September 8, 2015.

8. U.S. Chamber of Commerce, "Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners," May 14, 2010: https://www.uschamber.com/report/opening-markets-creating-jobs-estimated-us-employment-effects-trade-fta-partners, viewed on September 8, 2015.

9. David Riker, "Do Jobs In Export Industries Still Pay More? And Why?" Manufacturing and Services Economics Brief, Office of Competition and Economic Analysis, International Trade Administration, U.S. Department of Commerce, July 2010: http://trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_003208.pdf, viewed on September 8, 2015.

10. Manufacturing Sector: Real Output, Economic Research from the Federal Reserve Bank of St. Louis: https://research.stlouisfed.org/fred2/series/OUTMS, viewed on September 8, 2015.

11. United Nations Industrial Development Organization, Statistical Country Briefs: http://www.unido.org/en/resources/statistics/statistical-country-briefs.html, viewed on September 8, 2015.

12. William H. Overholt, "China and Globalization," Testimony presented to the U.S.-China Economic and Security Review Commission on May 19, 2005: http://www.rand.org/content/dam/rand/pubs/testimonies/2005/RAND_CT244.pdf, viewed on September 8, 2015.

13. U.S. Bureau of Labor Statistics and U.S. Department of Commerce.

14. Natalie Soroka, International Trade Administration, U.S. Department of Commerce, "U.S. Trading Companies, 2012," http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_004048.pdf, viewed on September 8, 2015.

15. U.S. Department of Agriculture: Economic Research Service: http://www.ers.usda.gov/topics/international-markets-trade/countries-regions/nafta,-canada-mexico.aspx, viewed on September 8, 2015.

16. Steven Zahniser and Zachary Crago, U.S. Department of Agriculture, Economic Research Service, "NAFTA at 15: Building on Free Trade," March 2009: http://www.ers.usda.gov/media/160163/wrs0903.pdf, viewed on September 8, 2015.

17. Ibid.

18. U.S. Department of Agriculture: Economic Research Service: http://www.ers.usda.gov/topics/international-markets-trade/countries-regions/nafta,-canada-mexico/mexico-trade-fdi.aspx, viewed on September 8, 2015.

U.S. services exports to Canada and Mexico have tripled since NAFTA entered into force, rising from $27 billion in 1993 to $92 billion in 2014.

U.S. Jobs Supported by Trade with Canada and Mexico by State

	U.S. Jobs Supported by Trade With Canada	U.S. Jobs Supported by Trade With Canada Attributable to NAFTA	U.S. Jobs Supported by Trade With Mexico	U.S. Jobs Supported by Trade With Mexico Attributable to NAFTA	U.S. Jobs Supported by Trade With Canada and Mexico	U.S. Jobs Supported by Trade With Canada and Mexico Attributable to NAFTA
U.S. TOTAL	8,027,826	3,271,862	5,955,431	1,703,522	13,983,258	4,975,384
Alabama	115,355	47,600	86,212	24,739	201,566	72,339
Alaska	20,385	8,182	14,835	4,272	35,220	12,453
Arizona	149,996	61,004	111,216	31,676	261,212	92,681
Arkansas	68,845	28,258	51,379	14,958	120,224	43,215
California	931,890	378,371	692,240	196,819	1,624,131	575,190
Colorado	143,807	58,349	105,776	30,166	249,583	88,514
Connecticut	100,146	40,799	74,481	21,338	174,627	62,137
Delaware	24,705	10,004	18,312	5,210	43,016	15,213
DC	39,066	15,637	28,201	8,003	67,268	23,640
Florida	465,072	188,709	342,054	97,045	807,126	285,754
Georgia	249,155	102,009	186,208	53,388	435,363	155,397
Hawaii	40,465	16,242	29,442	8,388	69,906	24,630
Idaho	39,893	16,298	29,767	8,574	69,660	24,872
Illinois	339,905	138,965	252,931	72,411	592,836	211,377
Indiana	162,286	66,922	120,763	34,342	283,049	101,263
Iowa	87,123	35,638	64,847	18,988	151,970	54,626
Kansas	80,405	32,589	59,341	17,208	139,746	49,797
Kentucky	105,722	43,389	78,588	22,493	184,309	65,881
Louisiana	112,666	45,756	83,206	23,913	195,872	69,668
Maine	37,230	15,292	27,706	7,917	64,935	23,208
Maryland	156,426	63,464	115,499	32,861	271,925	96,325
Massachusetts	190,915	77,450	142,557	40,593	333,472	118,043
Michigan	237,082	97,380	175,249	49,605	412,331	146,985
Minnesota	157,228	64,242	117,395	33,686	274,623	97,928
Mississippi	67,692	27,554	50,023	14,469	117,715	42,024

	U.S. Jobs Supported by Trade With Canada	U.S. Jobs Supported by Trade With Canada Attributable to NAFTA	U.S. Jobs Supported by Trade With Mexico	U.S. Jobs Supported by Trade With Mexico Attributable to NAFTA	U.S. Jobs Supported by Trade With Canada and Mexico	U.S. Jobs Supported by Trade With Canada and Mexico Attributable to NAFTA
Missouri	162,045	66,106	119,793	34,282	281,838	100,389
Montana	28,156	11,423	20,594	5,943	48,750	17,366
Nebraska	54,967	22,273	40,565	11,717	95,532	33,990
Nevada	73,524	29,578	53,593	15,156	127,117	44,733
New Hampshire	37,706	15,428	28,531	8,187	66,237	23,615
New Jersey	234,094	95,157	174,257	49,376	408,351	144,533
New Mexico	49,374	19,907	36,200	10,390	85,574	30,297
New York	517,028	209,509	381,238	108,660	898,267	318,169
North Carolina	244,555	99,765	183,377	52,658	427,932	152,422
North Dakota	21,404	8,665	15,646	4,578	37,051	13,243
Ohio	301,072	123,793	224,486	64,175	525,558	187,968
Oklahoma	93,499	37,993	68,498	19,975	161,996	57,968
Oregon	100,893	41,592	75,558	21,684	176,450	63,277
Pennsylvania	330,610	135,469	246,409	70,740	577,019	206,209
Rhode Island	27,648	11,157	20,399	5,838	48,046	16,995
South Carolina	114,088	46,619	85,763	24,779	199,850	71,398
South Dakota	24,604	9,944	17,992	5,237	42,596	15,181
Tennessee	163,780	66,933	122,085	35,084	285,865	102,017
Texas	624,986	254,468	463,132	132,599	1,088,119	387,067
Utah	74,467	30,239	54,881	15,686	129,348	45,925
Vermont	19,306	7,836	14,372	4,116	33,679	11,952
Virginia	218,425	88,962	161,374	46,115	379,799	135,077
Washington	173,978	70,818	128,277	36,838	302,255	107,655
West Virginia	40,887	16,650	30,254	8,769	71,141	25,419
Wisconsin	156,452	64,711	117,665	34,327	274,117	99,038
Wyoming	16,821	6,763	12,266	3,557	29,087	10,320

Source: U.S. Chamber of Commerce, "Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners," May 14, 2010. Data for 2008.

U.S. CHAMBER OF COMMERCE

1615 H Street, NW | Washington, DC 20062-2000
www.uschamber.com