Trans-Pacific Partnership

NAFTA

A SOLID AND SUCCESSFUL BUILDING BLOCK THAT WILL BE MODERNIZED BY TPP

The North American Free Trade Agreement (NAFTA) has generated substantial positive results for U.S. workers, farmers, consumers and businesses. It has also created deeply integrated North American supply chains that have created a competitive North American platform, while also having a positive impact on Mexico's economic development.

Trade and Jobs Have Grown Under NAFTA

NAFTA PROMOTES INCREASED TRADE : Since NAFTA entered into force in 1994, U.S. trade with Canada and Mexico has nearly quadrupled by 2014 to $1.3 trillion, faster than trade with other parts of the world. According to a 2014 report by the Peterson Institute for International Economics (PIIE), the United States has been $127 billion richer each year thanks to "extra" trade growth fostered by NAFTA.

NAFTA SUPPORTS U.S. JOBS: On average, unemployment was two percentage points lower in the years following NAFTA than in the years preceding it. In fact, the U.S. unemployment rate was markedly lower in the years immediately after NAFTA came into force (it averaged 5.1 percent in 1994-2007) than in the period immediately before (it averaged 7.1 percent in 1982-1993). According to the U.S. Chamber of Commerce (U.S. Chamber), trade with Canada and Mexico today supports nearly 14 million U.S. jobs, and nearly 5 million of these jobs are supported by the increase in trade generated by NAFTA. As stated by the U.S. Chamber, "[N]o 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."

U.S. JOBS ARE ALSO SUPPORTED AS A RESULT OF INVESTMENT: According to the Wilson Center, Mexican foreign direct investment (FDI) in the United States has nearly doubled since 2007. Businesses supported by Mexican investment in the United States employ more than 123,000 U.S. workers. Mexican investments impact all 50 states and include a diverse group of industries, from construction and mining to television and financial services. One example – the world's largest bakery company, Grupo Bimbo, is Mexican-owned, operates over 70 U.S. bakeries and employs 27,000 people in the United States, managing well-known brands like Sara Lee and Entenmann's. Even the U.S. auto industry receives significant Mexican investment. Nemak, a Mexican-owned supplier of aluminum engine components, and Rassini, a top Mexican-owned global producer of brakes and suspensions, run factories in Kentucky, Michigan, Ohio and Tennessee.

Contrary to popular belief, when U.S. firms invest in Mexico, more often there is job growth in their U.S. operations rather than job loss. Wilson Center research shows that, on average, a 10 percent increase in employment at U.S. companies' operations in Mexico leads to a 1.3 percent increase in the size of their workforce in the United States, as well as a 1.7 percent increase in exports from the United States, and a 4.1 percent increase in U.S. research and design spending.

All Sectors of the U.S. Economy Have Benefitted from NAFTA

U.S. manufacturers, farmers, ranchers, and service providers have all benefited from NAFTA:

- U.S. **manufactured** goods exports to Canadian and Mexican partners accounted for more than one-third of total U.S. manufactured goods exports in 2015, helping U.S. manufacturing to nearly double since 1993 to a record $2.17 trillion in output in 2015, according to the National Association of Manufacturers. Further, Canada and Mexico have been the largest growth market for U.S. manufactured goods exports since NAFTA came into effect, growing faster than other parts of the world. Notably, the United States ran a cumulative trade surplus with Canada and Mexico over the past seven years (2008-2014) and has trade that is relatively balanced.

- NAFTA has been a bonanza for U.S. **farmers and ranchers**, increasing U.S. agricultural exports to Canada and Mexico by 350 percent. The United States has a trade surplus with its NAFTA partners in agriculture.

- U.S. **services** exports to Canada and Mexico have tripled over time, rising from $27 billion in 1993 to $92 billion in 2014, and boast a trade surplus.

SMALL BUSINESSES ARE FLOURISHING: According to the U.S. Department of Commerce, Canada and Mexico are the top two export destinations for U.S. small and medium-size enterprises (SMEs). More than 126,000 SMEs sold their goods and services in Canada and Mexico in 2013.

NAFTA and the Development of a Strong Hemisphere

NORTH AMERICA IS MORE COMPETITIVE AND AGILE IN A GLOBAL ECONOMY: The United States, Mexico, and Canada no longer simply sell finished products to one another. Instead, they build things together, using a regional system of manufacturing production and integrated supply chains across our borders. According to research cited by the Congressional Research Service, 25 cents out of every dollar of goods that are imported from Canada to the United States is accounted for by "Made in USA" content, as are 40 cents out of every dollar for goods imported into the United States from Mexico. Joint and competitive production is happening daily and on a massive scale, harnessing competitive advantages and keeping businesses efficient and responsive to consumer demand.

DEVELOPED AND STABLE NEIGHBORS MATTER: NAFTA has brought significant economic and social benefits to the Mexican economy according to multiple independent studies. Studies by the World Bank in 2003 and 2011 found that the increase in trade integration after NAFTA improved Mexican productivity and helped

Mexico get closer to the levels of development seen in the United States. The 2011 study also found that NAFTA helped reduce poverty and macroeconomic volatility in the GDP growth rate in Mexico. Having stable, economically advanced partners to our north and south is a boon for regional peace and prosperity.

THE RESULTS SPEAK FOR THEMSELVES: Canada and Mexico are the top two markets for U.S. exports by a wide margin. In 2015, Canada accounted for 19 percent of U.S. exports and Mexico accounted for 16 percent of U.S. exports. TPP will only enhance our economic relationship with Canada and Mexico by modernizing the structure put in place by NAFTA, and further growing our successful trilateral partnership and platform.