

NAFTA: Promoting Growth in Illinois, the United States and Mexico

Why NAFTA Matters To Illinois

Illinois' exports to the NAFTA market grew \$5.3 billion since NAFTA entered into force – from \$6.4 billion in 1993 to nearly \$11.7 billion in 2004.

Illinois' exports to Mexico and Canada represent nearly 39 percent of Illinois' exports worldwide and have grown faster than Illinois' worldwide exports since 1993.

Illinois' 2004 Exports to the NAFTA Market

(\$ thousands)

Machinery Manufactures	2,864,094	24.5 %
Transportation Equipment	1,562,057	13.4 %
Chemical Manufactures	1,501,743	12.8 %
Computers & Electronic Prod.	1,180,947	10.1 %
All Others	4,590,038	39.2 %
Total	11,698,878	100 %

Impact of NAFTA on Mexico

The most comprehensive, independent analysis of the effect of the NAFTA on Mexico concluded that "NAFTA has brought significant economic and social benefits to the Mexican economy." *Lessons from NAFTA for Latin American and Caribbean (LAC) Countries: A Summary of Research Findings*, by D. Lederman, W. Maloney, and L. Servén, **World Bank** (Dec. 2003). It also found that:

- "Mexico's global exports would have been about 25% lower without NAFTA, and foreign direct investment (FDI) would have been about 40% less without NAFTA. Also, the amount of time required for Mexican manufacturers to adopt U.S. technological innovations was cut in half."
- "NAFTA has not had a devastating effect on Mexico's agriculture."
- "In spite of popular perception, there is little ground for concerns that NAFTA, or FTAs more generally, are likely to have a detrimental effect on the availability and/or quality of jobs."
- "Trade can probably take some of the credit for moderate declines in poverty, and has likely had positive impacts on the number and quality of jobs."

The report concluded that NAFTA was "not enough to ensure economic convergence among North American countries and regions. This reflects both limitations of NAFTA's design [strict rules of origin and trade remedy laws] and, more importantly, pending domestic reforms."

Impact of NAFTA on the United States

The NAFTA entered into force in 1994 and remains one of the world's most comprehensive free trade agreements, covering a region with more than 400 million people who produce over more than \$17 trillion worth of goods and services. Between 1993 and 2004, U.S. trade with Canada and Mexico grew by nearly 140 percent, from \$297 billion in 1993 to \$712 billion in 2004, accounting for approximately one-third of total U.S. trade in 2004.

- U.S. exports to the NAFTA countries more than doubled between 1993 and 2004, from \$142 billion to \$300 billion, growing faster than U.S. exports to the rest of the world.
- U.S. exports to Mexico also more than doubled, from \$41.6 billion in 1993 to \$110.7 billion in 2004, making Mexico America's second largest trading partner after Canada. U.S. exports to the rest of the world grew much slower.
- Employment in the post-NAFTA period grew by 15 million between 1993 and 2001, contrary to critics' claims.



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