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NAFTA'S POSITIVE IMPACT ON THE UNITED STATES: A STATE-BY-STATE BREAKDOWN

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On November 7, 1997, the House of Representatives is scheduled to vote on President Bill Clinton's request for renewed fast-track authority to negotiate trade agreements with countries in Latin America and Asia. The outcome of that vote is critical. It will determine whether the United States will continue to lead in expanding trade and opening markets throughout the world. If Congress rejects the President's request, other countries will be able to forge ahead with new agreements to liberalize trade and investment that benefit their own economies and workers at great expense to the U.S. economy and American workers.

Opponents of fast track are trying to turn the congressional debate on fast-track authority into a referendum on the North American Free Trade Agreement (NAFTA). Consequently, many Members of Congress who indicated a willingness to renew the President's fast-track negotiating authority have made their support contingent on how well NAFTA has performed during its first three years (from 1994 to 1996). Before Congress casts the deciding vote on fast track, it should examine the impact of NAFTA fairly and objectively. Despite the doomsday warnings about what would happen under NAFTA, hundreds of thousands of U.S. jobs have *not* been destroyed; the U.S. manufacturing base has *not* been weakened; and U.S. sovereignty has *not* been undermined. Instead, total NAFTA trade has increased, U.S. exports and employment levels have risen significantly, and the average living standards of American workers have improved.

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HOW THE UNITED STATES HAS BENEFITED FROM NAFTA

Opponents of fast-track authority have been quick to claim that trade agreements negotiated under fast track would increase the U.S. trade deficit and destroy U.S. jobs. Yet trade deficits and surpluses—as economic statistics—say little about the actual strength or weakness of an economy. Exports are driven by foreign demand for products, while imports are driven by domestic demand. The United States has the world's wealthiest and most dynamic economy, and its important trading partners like Canada, Mexico, Japan, and China have smaller or weaker economies. Americans play a larger consumer role in foreign economies because their high per capita incomes permit them to roam the world to search for superior products. Furthermore, the United States is the world's largest exporter of goods and services because U.S.-made products are in great demand overseas. If Americans choose to buy more foreign-made than U.S.-produced goods, the United States will have a trade deficit. But that does not mean the U.S. economy is weak. Measuring the benefits of trade by subtracting imports from exports makes little sense.

Overall, NAFTA has had a positive impact on the level of U.S. exports to Canada and Mexico. For example, according to the Massachusetts Institute for Social and Economic Research (MISER),[2] total exports to Mexico grew by 30 percent from 1993 to 1996, reaching a record $54 billion.[3] During the same period, U.S. exports to Canada increased by 26 percent, to $126.5 billion. Moreover, only six states reported small declines in exports to Canada and Mexico from 1994 to 1996. The accompanying tables and charts detail, state by state, the change in the number of U.S. exports to Canada and Mexico, quantified in 1993 dollars and deflated to adjust for inflation. The results show clearly that NAFTA has yielded impressive benefits for the U.S. economy during its first three years.

Summary of Results

The 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands all participate in NAFTA. Despite the claims of opponents, most have reaped substantial benefits. For example:

- **Forty-four states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands reported growth in their total exports to Canada and Mexico—partners of the United States in NAFTA—between 1993 and 1996.** Only six states reported a decline.
- **Forty-four states, the District of Columbia, and Puerto Rico reported growth in their total exports to Canada from 1993 to 1996.** Only six states and the U.S. Virgin Islands reported a decline.
- **Thirty-eight states, Puerto Rico, and the Virgin Islands reported growth in their total exports to Mexico from 1993 to 1996.** Only 12 states and the District of Columbia reported a decline.

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2 From adjustments in U.S. Census Bureau Foreign Trade Division data by MISER as of September 1997.

3 Data from the U.S. Department of Commerce, which uses a slightly different methodology, show that total U.S. exports to Mexico grew by 37 percent from 1993 to 1996, reaching $57 billion, and that total U.S. exports to Canada during this same period increased by 33 percent to $134 billion.

Understanding the Data

On balance, the data show that NAFTA has benefited the U.S. economy overall. Not all states, however, benefit equally from trade agreements. Some have derived greater advantage from trading with Mexico, while others have gained more from trading with Canada. For example, Maine saw its exports to Canada grow by about 29 percent from 1993 to 1996, but exports to Mexico during the same period fell by about 57 percent. Similarly, exports from the U.S. Virgin Islands to Canada declined by 35 percent from 1993 to 1996, while exports to Mexico during the same period increased by an astounding 8,385 percent.

Before any Member of Congress representing a state that registered a decline in export levels after NAFTA concludes that the agreement has not been beneficial, he should consider conducting an in-depth study of the state's trade balance to understand the reason that overall trade volume dropped after implementation of NAFTA. For example:

- It is not surprising that states would report greater growth in exports to Canada than to Mexico, because U.S. exports are driven by foreign demand; the average Canadian—who is five times wealthier than the average Mexican—is much more likely to buy U.S.-made products. Per capita gross domestic product in Canada was $19,588 in 1996, compared with $3,600 in Mexico that year. Moreover, in 1996, about 14 percent of Canada's population of 30 million lived below the poverty level—which was similar to the poverty level in the United States that year—while over 40 percent of Mexico's population of 93 million lived in poverty. Demand in Mexico for U.S.-made goods, therefore, will be significantly lower than the demand in Canada for those same goods. In addition, the U.S.–Canada Free Trade Agreement (USCFTA) was implemented on January 1, 1989, a full five years before NAFTA was implemented with Mexico on January 1, 1994.

- In the case of Florida, exports to Canada and Mexico fell by almost 11 percent overall from 1993 to 1996. But this is not because NAFTA has failed. Florida's natural export markets in the Western Hemisphere are concentrated not in Canada or Mexico, but in the Caribbean, Central America, and the northern South American countries of Venezuela and Colombia. Congress's failure to approve NAFTA parity for the Caribbean and Central American countries belonging to the Caribbean Basin Initiative has caused a diversion of trade and investment from this region to Mexico, and this affects Florida's export levels. Moreover, both Venezuela and Colombia have been afflicted since 1993 by economic recession and political turmoil, and these conditions also have affected Florida's export levels.

- In the case of Michigan, exports to Mexico fell by slightly over 6 percent from 1993 to 1996, but exports to Canada grew by more than 48 percent during the same period. The reason: The automotive industry—one of the most important sectors of Michigan's economy—has engaged in greater cross-border, intra-industry specialization since NAFTA went into effect. This has benefited Americans by holding down the domestic price of automobiles and trucks manufactured and assembled in an integrated manner by U.S.-owned factories located in all three countries.

- Colorado reported a drop of almost 14 percent in exports to Canada from 1993 to 1996, but its exports to Mexico during the same period rose by almost 50 percent. This simply reflects Colorado's greater competitive advantage in exporting its primary products (agricultural and mineral products) to Mexico as opposed to Canada.

- Similarly, the southern states of Mississippi, North Carolina, South Carolina, and Louisiana reported increases of about 242 percent, 146 percent, 129 percent, and 148 percent, respectively, in their exports to Mexico between 1993 and 1996, while their exports to Canada during the same period grew by almost 3.5 percent, 46 percent, 19.5 percent, and 22.5 percent, respectively. The reason: In the case of Mexico, geographical proximity and the trade liberalization that opened up the Mexican market allowed U.S. exporters in these states to maximize new sales opportunities to Mexico, whereas the geographically more distant and economically more mature Canadian market did not provide identical opportunities.

CONCLUSION

Free-trade agreements negotiated by the United States advance U.S. economic interests and national values. If Congress disengages the United States from the global trading community by denying the President the fast-track authority he needs to continue negotiating agreements that expand the level of U.S. exports, the ultimate losers will be the American consumer and the American worker. Trade barriers—which cannot prevent the displacement of low-wage, low-skill, and low-technology jobs in the United States—will prevent the creation of better-paying, higher-skilled, high-technology jobs on which the future of the United States depends.

Congress no longer has any reason to doubt the overall success of NAFTA. Although it is only three years old, this international trade agreement has produced substantial growth in U.S. exports to Canada and Mexico. And although three years may seem like too short a time to reach any final judgment about the effect that NAFTA has had on the U.S. economy, it is clear that critics of this agreement have been wrong on all counts. Congress will be acting in the national interest of the United States when it approves new fast-track negotiating authority so that the Clinton Administration can put U.S. trade policy back on track.

Table 1

U.S. Exports to NAFTA, 1993–1996

	Rank by % Increase in Exports	U.S. Exports, 1993	U.S. Exports, 1996	Increase in Exports
Alaska	7	$107,222,831	$187,718,944	75.07%
Alabama	5	910,781,058	1,660,836,923	82.35%
Arkansas	28	582,866,480	748,640,318	28.44%
Arizona	11	1,836,053,231	2,664,324,314	45.11%
California	12	13,298,286,597	19,264,303,978	44.86%
Colorado	42	1,401,376,006	1,618,782,646	15.51%
Connecticut	44	2,035,895,561	2,296,874,755	12.82%
Delaware	35	849,688,763	1,011,670,254	19.06%
District of Columbia	6	67,445,147	122,098,958	81.03%
Florida	53	2,820,667,178	2,515,147,695	-10.83%
Georgia	30	2,014,978,365	2,549,065,489	26.51%
Hawaii	1	19,060,354	73,902,939	287.73%
Idaho	17	227,721,926	316,424,622	38.95%
Illinois	26	6,861,480,316	8,927,309,708	30.11%
Indiana	47	6,771,679,960	7,319,526,900	8.09%
Iowa	27	1,169,650,133	1,502,394,025	28.45%
Kansas	3	776,392,333	1,453,190,020	87.17%
Kentucky	9	1,536,240,933	2,443,184,031	59.04%
Louisiana	18	516,884,750	716,585,267	38.64%
Maine	33	431,921,369	531,558,172	23.07%
Maryland	51	820,412,923	754,813,755	-8.00%
Massachusetts	38	3,365,702,677	3,977,344,737	18.17%
Michigan	23	20,969,938,003	27,978,546,393	33.42%
Minnesota	14	2,593,503,545	3,742,664,748	44.31%
Mississippi	36	418,729,049	497,808,967	18.89%
Missouri	25	1,934,254,838	2,518,922,170	30.23%
Montana	31	167,710,318	210,831,189	25.71%
North Carolina	8	2,979,324,275	4,744,171,010	59.24%
North Dakota	19	301,135,884	415,238,554	37.89%
Nebraska	20	449,602,206	611,040,110	35.91%
New Hampshire	15	508,160,355	722,570,594	42.19%
New Jersey	41	3,621,805,127	4,185,625,089	15.57%
New Mexico	52	165,167,754	149,205,612	-9.66%
Nevada	4	161,688,393	297,175,000	83.79%
New York	32	8,416,563,975	10,559,432,082	25.46%
Ohio	40	9,671,418,499	11,270,466,856	16.53%
Oklahoma	46	723,709,481	785,746,714	8.57%
Oregon	48	1,100,011,490	1,079,457,280	-1.87%
Pennsylvania	43	5,164,427,084	5,846,314,893	13.20%
Puerto Rico	13	576,063,710	831,654,730	44.37%
Rhode Island	49	376,916,224	368,134,051	-2.33%
South Carolina	16	1,579,806,112	2,215,253,956	40.22%
South Dakota	22	133,057,315	179,042,663	34.56%
Tennessee	24	2,548,749,159	3,361,921,808	31.90%
Texas	29	19,040,859,822	24,146,556,905	26.81%
Utah	34	471,817,812	576,454,347	22.18%
Virginia	45	1,653,046,693	1,849,527,059	11.89%
U.S. Virgin Islands	2	11,271,116	24,761,543	119.69%
Vermont	50	2,517,779,927	2,382,296,717	-5.38%
Washington	21	2,075,052,179	2,811,456,527	35.49%
Wisconsin	37	2,682,169,081	3,170,625,936	18.21%
West Virginia	39	340,958,710	401,974,283	17.90%
Wyoming	10	48,827,651	73,598,800	50.73%

Notes: Trade figures are in 1993 dollars and adjusted by the export Deflator. NAFTA was implemented on January 1, 1994.
Source: Adjustments to U.S. Census Bureau Foreign Trade Division data, by MISER, September, 1997.

Table 2

U.S. Exports to Canada, 1993–1996

	Rank by % Increase in Exports	U.S. Exports, 1993	U.S. Exports, 1996	Increase in Exports
Alaska	5	$106,477,752	$186,173,610	74.85%
Alabama	4	705,940,408	1,330,981,145	88.54%
Arkansas	23	507,181,191	641,409,774	26.47%
Arizona	9	699,919,541	1,050,357,596	50.07%
California	13	7,597,658,859	10,814,529,529	42.34%
Colorado	50	754,454,038	649,666,365	-13.89%
Connecticut	41	1,672,278,698	1,761,663,093	5.35%
District of Columbia	2	48,140,432	113,439,605	135.64%
Delaware	40	670,218,931	728,213,887	8.65%
Florida	49	1,909,370,321	1,682,743,055	-11.87%
Georgia	31	1,654,527,592	1,984,168,092	19.92%
Hawaii	1	18,652,372	73,145,684	292.15%
Iowa	23	1,084,862,010	1,371,978,435	26.47%
Idaho	10	185,430,368	276,770,174	49.26%
Illinois	20	5,349,604,303	6,992,022,874	30.70%
Indiana	51	5,532,349,433	4,748,740,061	-14.16%
Kansas	18	579,935,683	774,830,746	33.61%
Kentucky	6	1,331,960,952	2,169,146,718	62.85%
Louisiana	28	449,994,688	550,926,097	22.43%
Maine	22	402,380,829	518,932,310	28.97%
Maryland	52	718,633,523	582,162,438	-18.99%
Massachusetts	29	2,972,480,411	3,582,634,847	20.53%
Michigan	11	15,177,724,712	22,547,623,082	48.56%
Minnesota	26	2,337,185,705	2,883,056,396	23.36%
Mississippi	43	391,705,422	405,354,786	3.48%
Missouri	45	1,357,516,054	1,385,870,267	2.09%
Montana	46	165,869,252	166,080,033	0.13%
North Carolina	12	2,581,515,915	3,764,392,051	45.82%
North Dakota	17	298,112,156	402,538,133	35.03%
Nebraska	34	385,059,955	444,042,026	15.32%
New Hampshire	14	467,345,432	657,927,663	40.78%
New Jersey	25	2,763,044,078	3,482,092,723	26.02%
New Mexico	48	56,646,902	52,066,571	-8.09%
Nevada	3	147,957,758	288,050,440	94.68%
New York	21	7,089,879,625	9,173,281,846	29.39%
Ohio	35	8,647,933,441	9,853,153,027	13.94%
Oklahoma	39	554,112,994	602,461,470	8.73%
Oregon	42	985,870,032	1,026,952,454	4.17%
Pennsylvania	38	4,454,863,170	4,926,734,380	10.59%
Puerto Rico	16	428,967,086	579,623,201	35.12%
Rhode Island	44	333,840,707	344,103,405	3.07%
South Carolina	32	1,279,469,074	1,527,107,740	19.35%
South Dakota	19	128,656,556	170,861,755	32.80%
Tennessee	27	1,846,056,268	2,266,406,810	22.77%
Texas	8	4,491,575,200	6,782,850,803	51.01%
Utah	37	439,811,061	496,020,654	12.78%
Virginia	36	1,323,879,908	1,501,675,781	13.43%
U.S. Virgin Islands	53	11,063,745	7,166,076	-35.23%
Vermont	47	2,503,490,549	2,373,422,407	-5.20%
Washington	15	1,860,289,786	2,550,740,887	37.12%
Wisconsin	33	2,367,726,354	2,807,654,580	18.58%
West Virginia	30	317,071,253	381,527,115	20.33%
Wyoming	7	43,747,769	70,090,329	60.21%

Notes: Trade figures are in 1993 dollars and adjusted by the export deflator. NAFTA was implemented on January 1, 1994.
Source: Adjustments to U.S. Census Bureau Foreign Trade Division data, by MISER, September, 1997.

Table 3

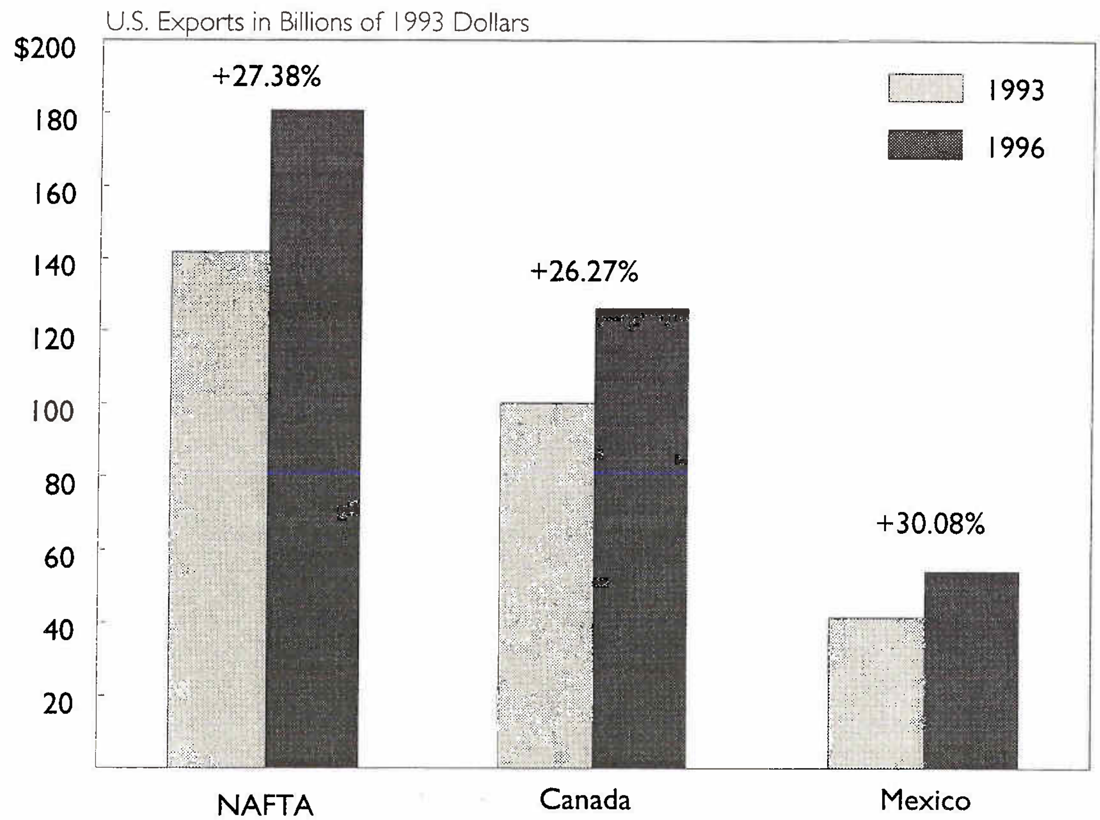
U.S. Exports to Mexico, 1993–1996

	Rank by % Increase in Exports	U.S. Exports, 1993	U.S. Exports, 1996	Increase in Exports
Alaska	13	$745,079	$1,545,334	107.41%
Alabama	19	204,840,650	329,855,778	61.03%
Arkansas	29	75,685,289	107,230,544	41.68%
Arizona	28	1,136,133,690	1,613,966,718	42.06%
California	26	5,700,627,738	8,449,774,449	48.23%
Colorado	25	646,921,968	969,116,281	49.80%
Connecticut	27	363,616,863	535,211,662	47.19%
Delaware	21	179,469,832	283,456,367	57.94%
District of Columbia	52	19,304,715	8,659,353	-55.14%
Florida	43	911,296,857	832,404,640	-8.66%
Georgia	22	360,450,773	564,897,397	56.72%
Hawaii	16	407,982	757,254	85.61%
Idaho	41	42,291,558	39,654,448	-6.24%
Illinois	33	1,511,876,013	1,935,286,834	28.01%
Indiana	12	1,239,330,527	2,570,786,840	107.43%
Iowa	24	84,788,123	130,415,590	53.81%
Kansas	4	196,456,650	678,359,274	245.30%
Kentucky	31	204,279,981	274,037,312	34.15%
Louisiana	9	66,890,062	165,659,170	147.66%
Massachusetts	40	393,222,266	394,709,890	0.38%
Maryland	18	101,779,400	172,651,317	69.63%
Maine	53	29,540,540	12,625,862	-57.26%
Michigan	41	5,792,213,291	5,430,923,311	-6.24%
Minnesota	6	256,317,840	859,608,352	235.37%
Mississippi	5	27,023,627	92,454,181	242.12%
Missouri	14	576,738,784	1,133,051,902	96.46%
Montana	2	1,841,066	44,751,156	2330.72%
North Carolina	10	397,808,360	979,778,960	146.29%
North Dakota	3	3,023,728	12,700,421	320.03%
Nebraska	7	64,542,251	166,998,084	158.74%
New Hampshire	20	40,814,923	64,642,931	58.38%
New Jersey	46	858,761,049	703,532,366	-18.08%
New Mexico	44	108,520,852	97,139,040	-10.49%
Nevada	48	13,730,635	9,124,559	-33.55%
New York	39	1,326,684,350	1,386,150,236	4.48%
Ohio	30	1,023,485,058	1,417,313,829	38.48%
Oklahoma	37	169,596,487	183,285,244	8.07%
Oregon	51	114,141,458	52,504,825	-54.00%
Pennsylvania	32	709,563,914	919,580,513	29.60%
Puerto Rico	17	147,096,624	252,031,528	71.34%
Rhode Island	50	43,075,517	24,030,646	-44.21%
South Carolina	11	300,337,038	688,146,216	129.12%
South Dakota	15	4,400,759	8,180,908	85.90%
Tennessee	23	702,692,891	1,095,514,998	55.90%
Texas	35	14,549,284,622	17,363,706,102	19.34%
Utah	8	32,006,751	80,433,693	151.30%
Virginia	38	329,166,785	347,851,278	5.68%
U.S. Virgin Islands	1	207,371	17,595,467	8385.02%
Vermont	49	14,289,378	8,874,310	-37.90%
Washington	34	214,762,393	260,715,640	21.40%
Wisconsin	36	314,442,727	362,971,356	15.43%
West Virginia	45	23,887,457	20,447,167	-14.40%
Wyoming	47	5,079,882	3,508,471	-30.93%

Notes: Trade figures are in 1993 dollars and adjusted by the export Deflator. NAFTA was implemented on January 1, 1994.
Source: Adjustments to U.S. Census Bureau Foreign Trade Division data, by MISER, September, 1997.

Chart 1

U.S. Exports to NAFTA Partners, 1993–1996

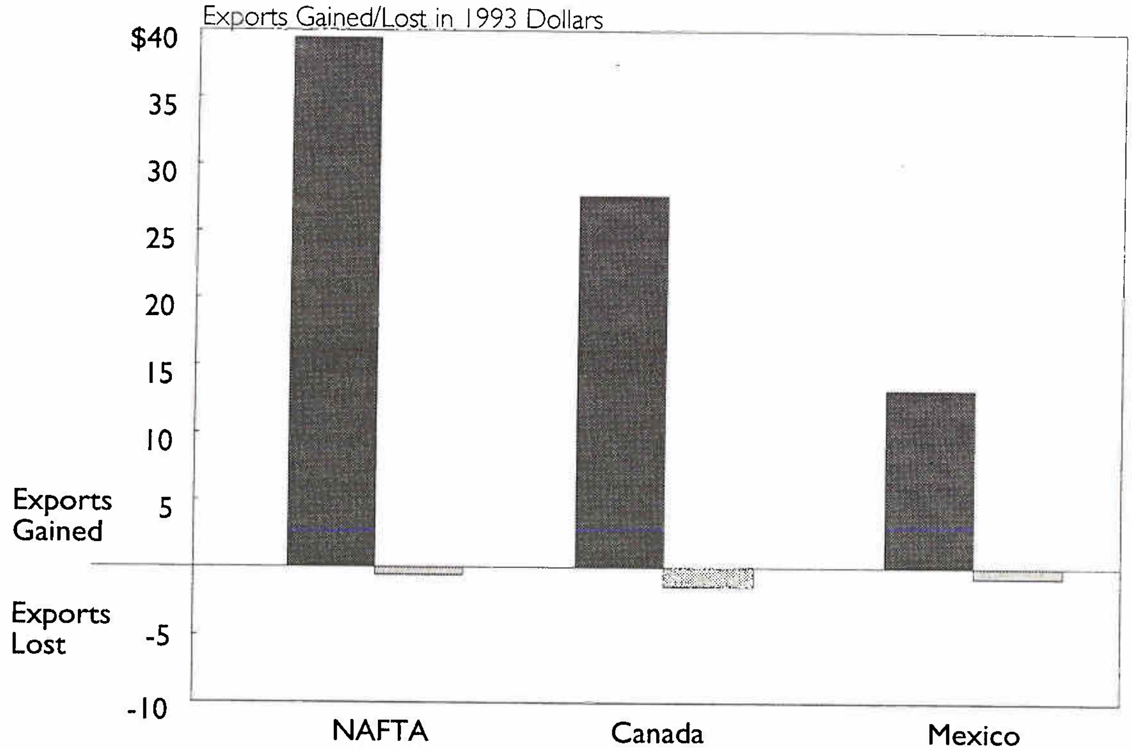


	1993 Exports	1996 Exports	Export Growth	Percentage Growth
Exports to NAFTA	$141,825,934,678	$180,664,175,034	$38,838,240,356	27.38%
Exports to Canada	100,190,440,254	126,505,565,029	26,315,124,775	26.27%
Exports to Mexico	41,635,494,424	54,158,610,005	12,523,115,581	30.08%

Notes: Trade figures are in 1993 dollars and adjusted by Export Deflator. NAFTA was implemented on January 1, 1994.
Source: Adjustments to U.S. Census Bureau Foreign Trade Division data, by MISER, September, 1997.

Chart 2

Changes in U.S. Exports with NAFTA Partners, 1993–1996



	States with Increased Exports	States with Decreased Exports	Overall Increase
Exports to NAFTA			
Number of States	47	6	
Change in Exports	$39,390,140,743	-$551,900,387	$38,838,240,356
Percentage Change	29.39%	-7.07%	27.38%
Exports to Canada			
Number of States	46	7	
Change in Exports	$27,705,166,312	-$1,390,041,537	$26,315,124,775
Percentage Change	31.23%	-12.10%	26.27%
Exports to Mexico			
Number of States	40	13	
Change in Exports	$13,255,819,771	-$732,704,190	$12,523,115,581
Percentage Change	39.38%	-9.19%	30.08%

Notes: Since the number of states varies within each Increased Exports/Decreased Exports category, the figures listed within the Canada and Mexico rows cannot be added up to give the total NAFTA figure. For example, while Michigan appears in the Increased Exports column for Canada and NAFTA, it appears in the Decreased Exports column for Mexico. Trade figures for the 50 states plus the District of Columbia, Puerto Rico, and the U.S. Virgin Islands are in 1993 dollars and adjusted by the export deflator. NAFTA was implemented on January 1, 1994.

Source: Adjustments to U.S. Census Bureau Foreign Trade Division data, by MISER, September, 1997.

Table 4

Top 10 States with Increased Exports to NAFTA

Rank		1993 Exports	1996 Exports	Percentage Growth
1	Hawaii	$19,060,354	$73,902,939	287.73%
2	U.S. Virgin Islands	11,271,116	24,761,543	119.69%
3	Kansas	776,392,333	1,453,190,020	87.17%
4	Nevada	161,688,393	297,175,000	83.79%
5	Alabama	910,781,058	1,660,836,923	82.35%
6	District of Columbia	67,445,147	122,098,958	81.03%
7	Alaska	107,222,831	187,718,944	75.07%
8	North Carolina	2,979,324,275	4,744,171,010	59.24%
9	Kentucky	1,536,240,933	2,443,184,031	59.04%
10	Wyoming	48,827,651	73,598,800	50.73%

Top 10 States with Increased Exports to Mexico

Rank		1993 Exports	1996 Exports	Percentage Growth
1	U.S. Virgin Islands	$207,371	$17,595,467	8385.02%
2	Montana	1,841,066	44,751,156	2330.72%
3	North Dakota	3,023,728	12,700,421	320.03%
4	Kansas	196,456,650	678,359,274	245.30%
5	Mississippi	27,023,627	92,454,181	242.12%
6	Minnesota	256,317,840	859,608,352	235.37%
7	Nebraska	64,542,251	166,998,084	158.74%
8	Utah	32,006,751	80,433,693	151.30%
9	Louisiana	66,890,062	165,659,170	147.66%
10	North Carolina	397,808,360	979,778,960	146.29%

Top 10 States with Increased Exports to Canada

Rank		1993 Exports	1996 Exports	Percentage Growth
1	Hawaii	$18,652,372	$73,145,684	292.15%
2	District of Columbia	48,140,432	113,439,605	135.64%
3	Nevada	147,957,758	288,050,440	94.68%
4	Alabama	705,940,408	1,330,981,145	88.54%
5	Alaska	106,477,752	186,173,610	74.85%
6	Kentucky	1,331,960,952	2,169,146,718	62.85%
7	Wyoming	43,747,769	70,090,329	60.21%
8	Texas	4,491,575,200	6,782,850,803	51.01%
9	Arizona	699,919,541	1,050,357,596	50.07%
10	Idaho	185,430,368	276,770,174	49.26%

Notes: Trade figures for the 50 states plus the District of Columbia, Puerto Rico, and the U.S. Virgin Islands are in 1993 dollars and adjusted by the export deflator. NAFTA was implemented on January 1, 1994.
Source: Adjustments to U.S. Census Bureau Foreign Trade Division data, by MISER, September, 1997.