



# NAFTA Works



A MONTHLY NEWSLETTER ON NAFTA AND RELATED ISSUES

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## NAFTA Supports Jobs for U.S. Workers

In 2005, employment associated with exporting to Mexico reached 815,000 workers in the manufacturing sector. This means that of the amount of the total job quantity in the export manufacturing sector of the United States, more than one in every 10 jobs is employed in activities related to exports that go to Mexico.

Since NAFTA came into effect in 1994, the trilateral free trade agreement has been a key instrument in the increase of not only trade and investment flows among Mexico, the United States and Canada, but also in supporting jobs created by the intense export activities throughout the North American region.

Trade growth among the three NAFTA partners has generated new jobs that pay higher wages and fostered a skilled labor force, which brings benefits to thousands of workers and their families.

### U.S. – Mexico trade performance

Thanks to NAFTA, Mexico has become one of the most dynamic U.S. trading partners. Mexico – U.S. trade has more than tripled since 1993, reaching 290 billion dollars and with a growth rate of 11% annually. In other words, bilateral trade averages more than half a million dollars per minute (\$552 thousand dollars).

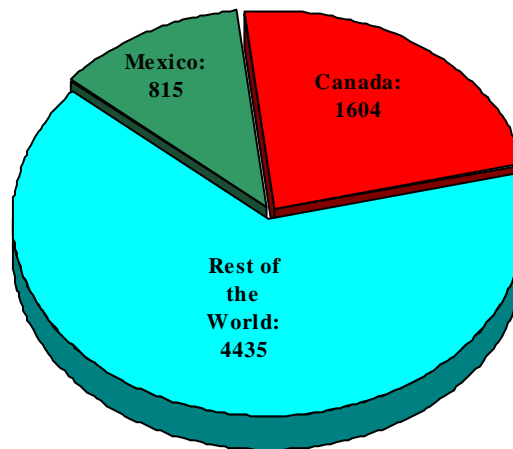
Currently, Mexico is the U.S.' second largest trading partner and comprises its second largest export market only behind Canada).

Since NAFTA, U.S. 20 million dollars according to Mexican sources.

U.S. sales of products to Mexico are greater than the country's combined exports to the U.K., France, Italy and Germany (\$106 billion), and almost three times those to China (\$41.8 billion).

Likewise, Mexico buys nearly one out of seven dollars (13.3%) of U.S. exports worldwide.

U.S. Export-Related Jobs  
(Employment in thousands, 2005)



Source: SE-NAFTA.

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## Mexico Economic Update

	Feb 2006		Jan-Feb 2006			Feb 2005	Feb 2006		Economic Growth	
	Value (US bd)	Annual Change %	Value (US bd)	Annual Change %					Jan 2005	Jan 2006
<b>Foreign Trade</b>										
Exports	18.71	21.4	252.15	15.9						
Manufacturing	14.97	17.4	204.93	12.6						
Oil	2.91	43.4	38.29	38.3						
Imports	18.50	15.7	258.83	13.5						
Balance	0.21	-137.0	-6.68	-36.6						
<b>Financial Indicators</b>										
Inflation Rate (Annual)						4.3	3.7	↓		
Interest Rate (CETES 28)						9.2	7.6	↓		
Stock Market Index (IPC)						13,586	18,634	↑		
Exchange Rate (pesos/dollar)						11.14	10.48	↓		
International Reserves (US bd)						61.4	67.4	↑		
<b>Employment</b>										
Open Unemployment						Jan 2005: 4.14	Jan 2006: 3.53	↓		
<b>Industrial Activity</b>										
Global Economic Activity Index (IGAE)									3.6%	5.6%
Industrial Production									2.3%	6.0%
Manufacturing									1.7%	6.2%
Mining									2.2%	5.5%
Construction									5.3%	6.7%

Source: Ministry of the Economy with Banxico and INEGI data.

US bd= US billion dollar



## Export and job opportunities grow across the U.S.

In eleven years of NAFTA, almost all regions across the United States have enjoyed new business and job opportunities resulting from increased export activities. Today, 49 out of 50 states in the United States have registered increases in their exports to Mexico. Among these, 41 states have at least doubled their sales to Mexico.

Trade expansion between Mexico and the U.S. has played a relevant role supporting the creation of new and better paying jobs on both sides of the border, with the export sector being the main driving force of new employment opportunities. High value-added products such as electronic devices, electrical products and transportation equipment alone accounted for 40 percent of U.S. total exports to Mexico last year.

Since NAFTA came into effect, exporters have expanded operations gradually throughout the U.S., allowing every region to enjoy the benefits of trading with Mexico. In 2005, 20 U.S. states, including Michigan, Illinois, Florida, Ohio, Indiana, New York, and the south border states of California, Texas, Arizona, and Louisiana each registered sales to Mexico of over 1 billion dollars. In comparison, only two states surpassed this figure in 1993, because there were located most of the U.S. jobs related to exports to Mexico.

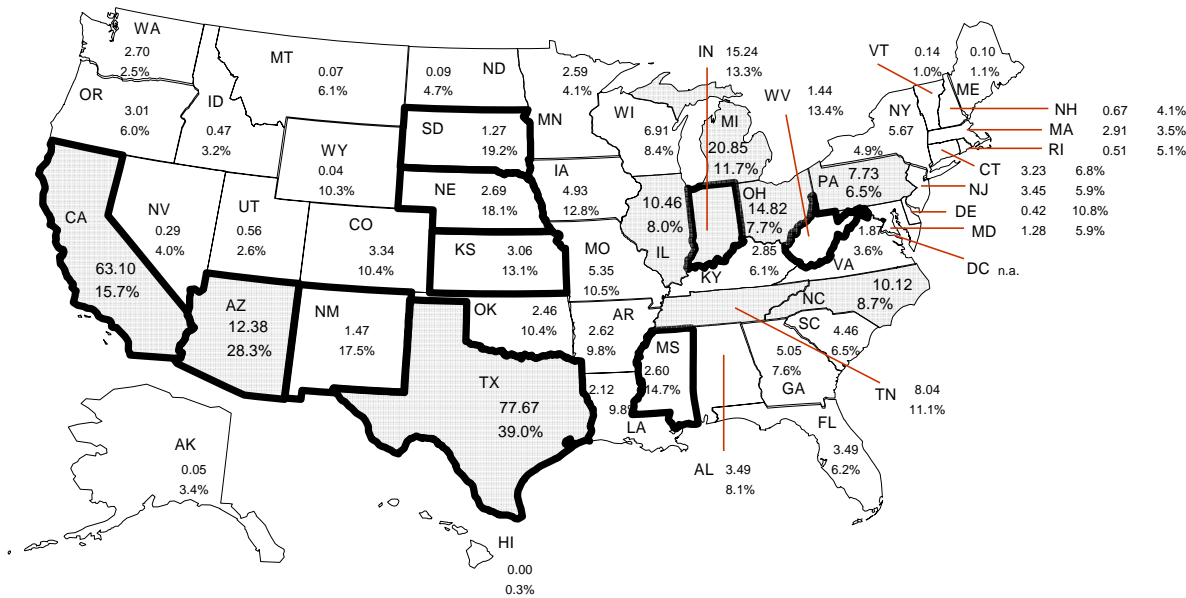
Traditionally, Mexico has been the largest export market for products made in Texas and Arizona, and more recently for those from California and Louisiana, fostering job opportunities for their citizens. Therefore, it is no surprise that these states rank among the top U.S. states with high association between job creation and exports to Mexico. Moreover, 244,000 workers in Texas owe their jobs to export sales to Mexico; export-supported jobs account for an estimated 129 thousand of California's manufacturing –sector employees; and Arizona accounts over 34 thousand jobs supported by exports of manufactured goods that go to Mexico.

As NAFTA has boosted the U.S. exports to its southern partner, new jobs have also been created in other regions across the United States. In Michigan, for example, more than 36 thousand workers are sustained by direct exports to Mexico, particularly in automotive-related products. Likewise, Ohio and Indiana manufacturing export-related jobs associated with sales to Mexico support 21,600 and 31,800 employed respectively.

Mexico and the United States have benefited from free trade and investment rules provided by NAFTA. Today, Mexico is a key export market and supplier for U.S. industry as both countries have reached a higher level of economic integration to compete successfully in the global market. Trade is a powerful engine that contributes to the creation of more and better paying jobs in order to raise standards of living for our people. After eleven years, NAFTA partners continue working together to deepen and expand benefits of trade to more regions, companies and workers across North America.

## U.S. Export-to-Mexico-Related Jobs by State

Manufacturing Employment 2004 (In thousands)



Largest Export-to-Mexico-Related States Employment		
Rank	State	2004
1	Texas	77.67
2	California	63.10
3	Michigan	20.85
4	Indiana	15.24
5	Ohio	14.82
6	Arizona	12.38
7	Illinois	10.46
8	North Carolina	10.12
9	Tennessee	8.04
10	Pennsylvania	7.73

Largest Mexico's Share in Export-Related Jobs		
Rank	State	2004
1	Texas	39.0%
2	Arizona	28.3%
3	South Dakota	19.2%
4	Nebraska	18.1%
5	New Mexico	17.5%
6	California	15.7%
7	Mississippi	14.7%
8	West Virginia	13.4%
9	Indiana	13.3%
10	Kansas	13.1%

Source: SE-NAFTA using data from the State Export-Related Employment Project made by the International Trade Administration and the U.S. Census Bureau, the Northeast-Midwest Institute and the Bureau of Labor Statistics, and the World Institute for Strategic Economic Research.



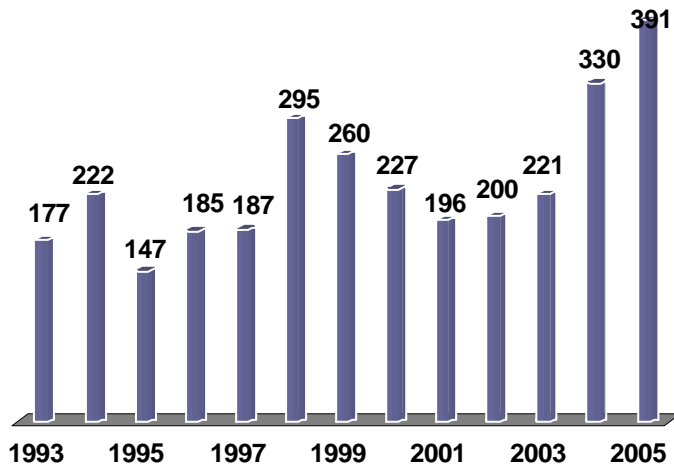
# Oklahoma

From 1993 to 2005 Oklahoma's exports to Mexico grew 121%

Mexico is the second largest consumer market of Oklahoma's exports.

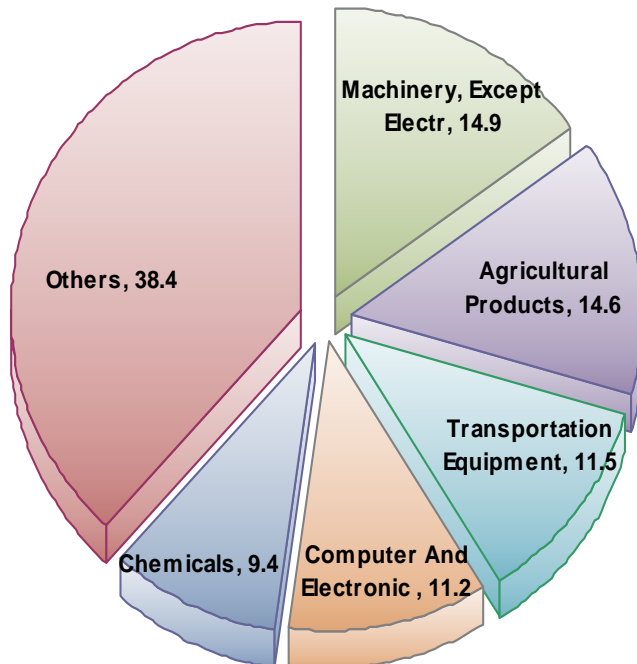
## Exports to Mexico

1993-2005 (Millions of US Dollars)



## By Sector (NAICS)

2005



Source: US Census, MISER and SE-NAFTA. SIC Series 2000-2005, NAICS series.

## Selected Readings

**Emigration and Wages in Source Countries: Evidence from Mexico** (Mishra, Prachi. International Monetary Fund, Working Papers, March 2006)

<http://www.imf.org/external/pubs/ft/wp/2006/wp0686.pdf>

This paper empirically examines the effect on wages in Mexico of Mexican emigration to the United States, using data from the Mexican and United States censuses from 1970-2000. The main result in the paper is that emigration has a strong and positive effect on Mexican wages. There is also evidence for increasing wage inequality in Mexico due to emigration. Simple welfare calculations based on a labor demand-supply framework suggest that the aggregate welfare loss to Mexico due to emigration is small. However, there is a significant distributional impact between labor and other factors.

**World Crude Oil Markets: Monetary Policy and the Recent Oil Shock** (Krichene, Noureddine. International Monetary Fund, Working Papers, March 2006)

<http://www.imf.org/external/pubs/ft/wp/2006/wp0662.pdf>

This paper examines the relationship between monetary policy and oil prices within a world oil demand and supply model. Low price and high income elasticities of demand and rigid supply explain high price volatilities and producers' market power. Exchange and interest rates do influence oil market equilibrium. The relationship between oil prices and interest rates is a two-way relationship that depends on the type of oil shock. During a supply shock, rising oil prices caused interest rates to increase; whereas during a demand shock, falling interest rates caused oil prices to rise. Record low interest rates led to high oil price volatility in 2005. Data shows that world economic growth and price stability require stable oil markets and therefore more prudent monetary policies.



# Aguascalientes



Capital: Aguascalientes  
 Main cities: Aguascalientes, Rincón de Romos, Jesús María, Pabellón de Arteaga

Population: 1,065,416 (2005)  
 80% in the urban area  
 64% under 30 years old  
 179 persons per square kilometer

Education: 95% Literacy rate  
 97,223 with more than High School  
 7,049 Masters or Ph.D.

Households with:  
 26% Computers  
 98% TV  
 91% Refrigerators  
 83% Washing Machine

Infrastructure:  
 811 km of paved roads  
 130 km of high ways (4 lanes)  
 1 International Airport  
 33 Universities and technological institutes  
 26 Hospitals  
 240,412 Fixed telephone lines  
 20 Radio stations  
 6 TV stations

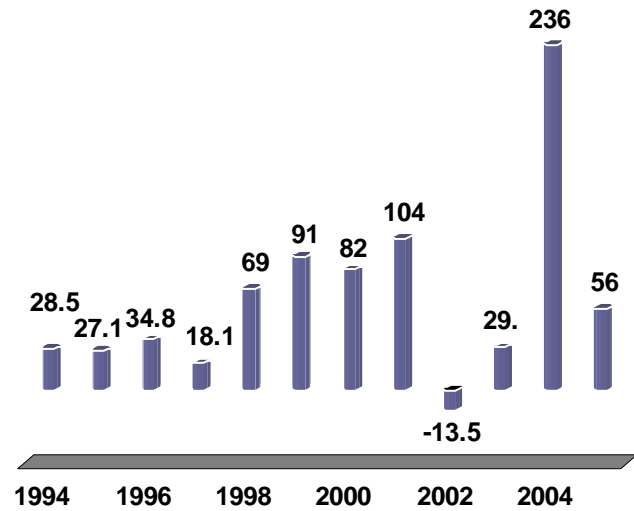
Major exports: Automobiles & parts, electrical & electronic prod., apparel, textiles

Exports: US \$2298 Millions (2004)  
 Imports: US \$2759 Millions (2004)

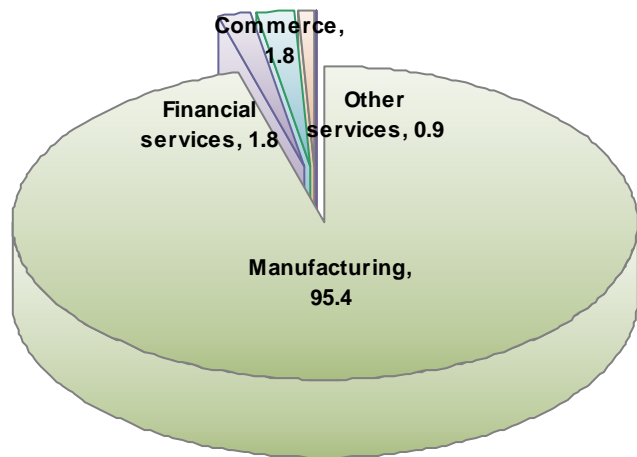
Maquiladoras: 39 employing 14,614 workers

FDI Companies: 109

## Foreign Direct Investment (Millions of US Dollars)

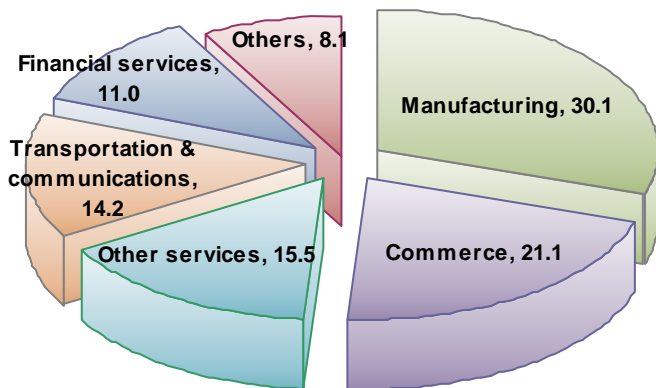


## Foreign Direct Investment by Sector 94-05 (Percentage)



761.3 Millions of US Dollars

## Gross Domestic Product 2004



Web-site: <http://www.aguascalientes.gob.mx/sedec>  
 E-mail: [armando.jimenezsv@aguascalientes.gob.mx](mailto:armando.jimenezsv@aguascalientes.gob.mx)  
 Tel/Fax: 011 52 (449) 910 2614



## Success Stories

### **Omnilife opens a plant in Jalisco**

Omnilife has announced its manufacturing plant operations to be located in Tlaquepaque, Jalisco, the place where all of the group's maquiladoras will be located. This project required an investment of over USD\$60 million and will be the largest food supplement manufacturing plant not only in Latin America, but in the world. The new plant will not require hiring new personnel because the full staff working in other plants will be concentrated in this new complex. With a surface area of 583,200 square feet, Omnilife predicts an increase in production to up to 5 times more than the current one at the new plant.

### **Mitsuba opens plant in Nuevo Leon**

With an investment of USD\$6 million, the Japanese factory Mitsuba will be opening its second plant in Nuevo Leon. The location will be the 229,779 square feet La Silla Apodaca Industrial Park. Its products will be aluminum and precision injection automotive parts. This new plant will provide work for 100 employees including technicians and operators. The operation will be starting during the second half of 2006.

### **Kopf to build plant in Nuevo Leon**

Kopf, an Austrian-German company, is building a USD\$15 million galvanization plant in Cienega de Flores, Nuevo Leon that will employ 60 people. Mexican companies that traditionally get their products in Houston are meant to be served by the plant.

### **EDM opens another plant in Ciudad Juarez**

EDM has announced the opening of another plant in Ciudad Juarez with an investment of USD\$6 million in high technology equipment including computers, antennas, servers and many other items at the first stage. 2,000 employees will be hired and the company is expecting a 20% higher operations volume with new customers.

## Diario Oficial Notices

- ◆ Resolution that resolves the administrative resource of revocation interposed by Resirene, S.A. de C.V., against the final resolution antidumping investigation on the imports of ---- merchandise classified under tariff items 3903.19.02 y 3903.19.99 of the Mexican Tariff Schedule, original from the United States of America, published on September 15<sup>th</sup>, 2005. (March 7).
- ◆ Resolution that accepts the request of the interested party and declares the initiation of an antidumping investigation on -- - classified under tariff items 8311.10.01 y 8311.10.99, originating from China, regardless the country of origin. (March 8).
- ◆ Agreement that notifies the import quota for 2006 and 2007 on -----, except for those comprehended under tariff item number 1003.00.01, and ---- tariff item number 1003.00.02, 1003.00.99, 1107.10.01 y 1107.20.01. (March 9).

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## NAFTA Related Events

April 26 – 28

“EXPO SEGURIDAD“

México, D.F.

<http://www.giprex.com>

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### **A monthly newsletter on NAFTA and related issues**

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