



# NAFTA Works



A MONTHLY NEWSLETTER ON NAFTA AND RELATED ISSUES  
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## NAFTA Supports Jobs for U.S. Workers

In 2004, employment in the manufacturing sector associated with exporting to Mexico reached 330,000 workers. This means that, 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 among the three NAFTA partners growth 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 265 billion dollars and with a growth rate of 11% annually. In other words, bilateral trade averages more than half a million dollars per minute (\$504 thousand dollars).

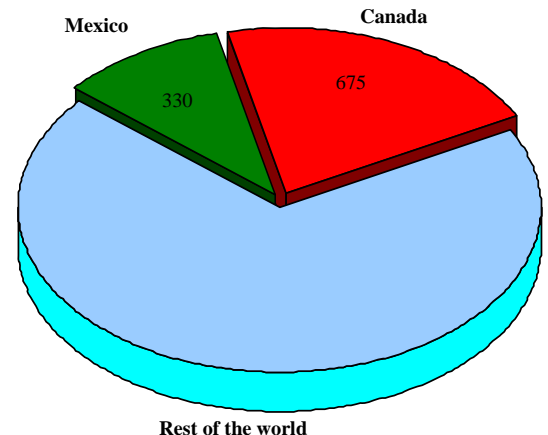
Currently, Mexico is the U.S.' second largest trading partner and comprises its second largest export market only behind Canada).

Since NAFTA, U.S. exports to Mexico have grown 141%, exceeding 109 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 the Netherlands (\$91 billion), and more than three times those to China (\$34 billion).

Likewise, Mexico buys nearly one out of seven dollars (13.5%) of U.S. exports worldwide.

**U.S. Export-Related Jobs  
(Employment in thousands, 2004)**



Source: SE-NAFTA.

*continues on page 2*

## Mexico Economic Update

	Mar 2005		Jan-Mar 2005		Financial Indicators	Mar 2004	Mar 2005	Economic Growth	Feb 2004	Feb 2005
	Value (US bd)	Annual Change %	Value (US bd)	Annual Change %						
<b>Foreign Trade</b>					<b>Inflation Rate (Annual)</b>	4.2%	4.4%	<b>Global Economic Activity Index (IGAE)</b>	3.95%	3.07%
Exports	17.33	4.4	46.92	8.6	<b>Interest Rate (CETES 28)</b>	6.3%	9.4%	<b>Industrial Activity</b>		
Manufacturing	14.10	0.2	38.37	5.6	<b>Stock Market Index (IPC)</b>	10,104	13,294	<b>Industrial Production</b>	2.5%	1.8%
Oil	2.46	40.8	6.38	28.5	<b>Exchange Rate (pesos/dollar)</b>	11.01	11.14	<b>Manufacturing</b>	1.5%	2.6%
Imports	17.52	4.5	48.77	11.6	<b>International Reserves (US bd)</b>	59.0	61.7	<b>Mining</b>	8.1%	-3.8%
Balance	(0.18)	10.2	(1.85)	271.2	<b>Employment</b>			<b>Construction</b>	5.5%	0.9%
					<b>Open Unemployment</b>	3.86%	3.95%			

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 2004, 16 U.S. states, including Ohio, Indiana, Pennsylvania, Tennessee, North Carolina and the south border states of California, Texas and Arizona each registered sales to Mexico of over 1 billion dollars. In comparison, only five states surpassed this figure in 1993, because there were located most of the U.S. jobs related to exports to Mexico.

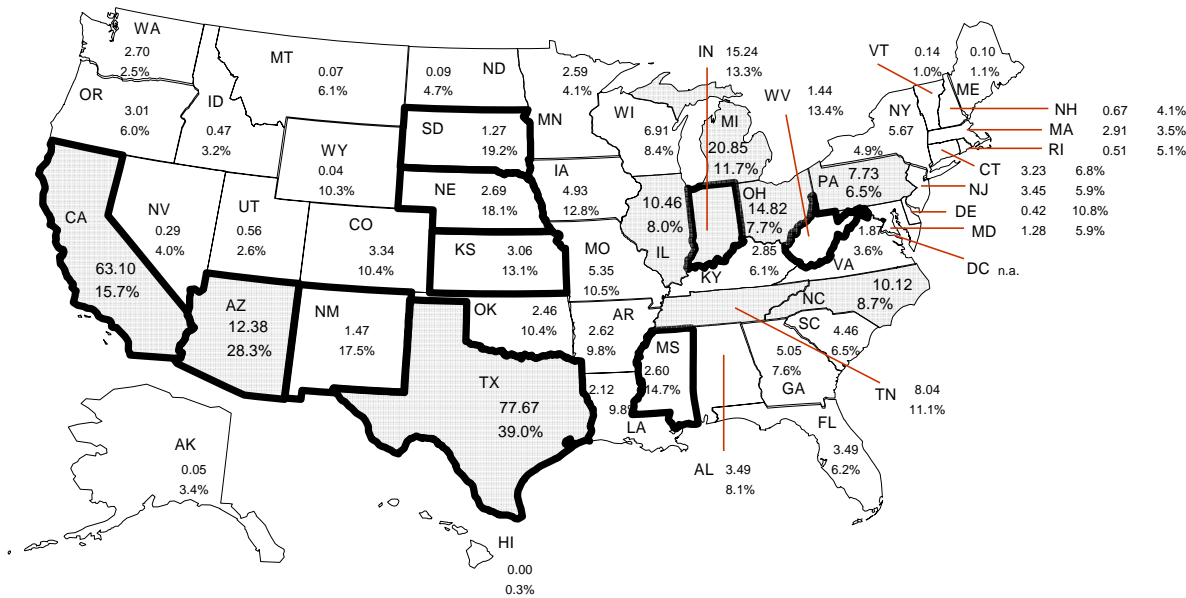
Traditionally, Mexico has been the largest export market for products made in Texas and Arizona, and more recently for those from California, fostering job opportunities for their citizens. Therefore, it is no surprise that these states rank among the top U.S. states with high association between job creation and exports to Mexico. Moreover, 77,000 workers in Texas owe their jobs to export sales to Mexico; export-supported jobs account for an estimated 63 thousand of California's manufacturing –sector employees; and Arizona accounts over 12 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 20 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 15,000 and 14,000 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)



**Light Gray Box:** 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

**Dark Gray Box:** 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.



# Diario Oficial Notices

- Agreement modifying the diverse which notifies the minimum quota for milk powder imports originating from the United States of America under the tariff rate quota established in the North American Free Trade Agreement in the period from 2004 to 2007. (March 30)
- Decree establishing the Applicable Rate from April 1 2005 to March 31 2006 of the General Import Tariff Law for goods originating from the region conformed by the Mexican United States and Japan. (March 31)
- Agreement notifying the quota for importing several products originating from The United Mexican States into Japan, in accordance with the tariff rate quota established in the Agreement for Strengthening of the Economic Partnership Mexico-Japan. (April 1)
- Agreement establishing the Rules for Origin Certification contained in the Agreement for the Strengthening of the Economic Partnership Mexico-Japan. (April 1)
- Agreement noticing The Uniform Regulations contained in the Agreement for the Strengthening of the Economic Partnership between Mexico and Japan. (April 1)
- Agreement modifying the similar that establishes the encoding and classification of goods whose importation and exportation are subject to sanitary regulation by the Ministry of Health. (April 1)
- Agreement modifying the similar, establishing the codification and classification of goods whose imports-exports are subject to previous permission by the Ministry of the Economy. (April 6)
- Preliminary determination of the anti-dumping investigation of hydraulic jacks and hoists, classified under item 8425.42.02 of The General Imports and Exports Tariff Law, originating from The People's Republic of China, regardless of shipping country. (April 6)
- Final determination of the antidumping investigation over imports classified under item 3823.19.99 of The General Imports and Exports Tariff Law, originating from The United States of America, regardless of shipping country. (April 7)
- Final determination of the anti-dumping investigation over stearic acid classified under item 3823.11.01 and 3823.19.99 of The General Imports and Exports Tariff Law, originating from the United States of America, regardless of shipping country. (April 8)
- Decree rejecting the request for the initiation of administrative review of the final antidumping determination over Red Delicious apples and its varieties, as well as Golden Delicious, classified under item 0808.10.01 of The Imports and Exports Tariff Law, originating from the United States of America regardless of shipping country, brought by Triple EEE International Services, Integradora de Servicios TLC, S.A. de C.V., Distribuidora Balam, S.A. de C.V., and individual Alfonso Sicre Soto. (April 11)
- Final determination of the new shipper procedure, in relation to the final determination over Red Delicious apples and its varieties, as well as Golden Delicious, classified under item 0808.10.01 of The General Imports and Exports Tariff Law, originating from the United States of America, regardless of shipping country. (April 15)

- Agreement noticing the quota for importing preparations based on milk products with a content of milky solids higher than 50% in weight, except for those included in item 1901.90.04, during 2005. (April 22)
- Agreement noticing the minimum quotas for importing new vehicles shipping and originating from Colombia and Venezuela, in accordance with the Economic Complementation Agreement celebrated between Colombia, Mexico and Venezuela. (April 22)
- Agreement noticing the quota for importing new automotive products originating and shipping from Uruguay up to December 31 2005 in accordance with the Economic Complementation Agreement between Mexico, Argentina, Brazil, Paraguay and Uruguay, being the last four Member States of the MERCOSUR. (April 22)
- Agreement noticing the quotas for importing fresh bananas (excluding vegetable bananas) into the European Community from Mexico. (April 22)

## Selected Readings

### **The Euro at Five: Ready for a Global Role?**

**(Edited by Adam S. Posen. Institute for International Economics, April 2005)**

The euro is the only major currency to be created in the 20th century; it now stands on the brink of becoming one of the world's two reserve currencies in the 21st century. The euro's use and development shape the entire agenda for ever-closer union in Europe and for transatlantic relations. As the currency bearing the brunt of the US dollar's decline from its overvaluation of the late 1990s, the euro's value and management is critical to the successful adjustment of international imbalances. And as a long-run competitor and collaborator with the dollar, the euro creates the potential for a bipolar international monetary system, offering unprecedented challenges and opportunities to economic policymakers. The papers and commentaries in this book explore the euro's international role, its record thus far, and its future.

### **Global Financial Stability Report : Market Developments and Issues (International Monetary Fund, April 2005)**

This particular issue draws, in part, on a series of informal discussions with commercial and investment banks, securities firms, asset management companies, hedge funds, insurance companies, pension funds, stock and futures exchanges, and credit rating agencies, as well as regulatory authorities and academic researchers in many financial centers and countries.



# Yucatan

**Capital:** Merida

**Main cities:** Merida, Tizimin, Valladolid, Uman, Progreso

**Population:** 1,658,210 (2000)  
 81% in the urban area  
 61% under 30 years old  
 38 people per square kilometer  
 88% Literacy rate

**Major exports:** Textile and Food

**Exports:** US \$ 725 Millions (2003)

**Imports:** US \$ 665 Millions (2003)

32 Radio stations  
 12 TV stations

### Investment Highlights

Aid in setting up operations and training workers.

Source: Ministry of the Economy

### Foreign Direct Investment:

Between 1999 and 2004, Yucatan received US\$ 268 millions of dollars in foreign investment.

**Main sector:** Hotels, Textile, Commerce and Manufacturing.

### Countries with major investments in Yucatan

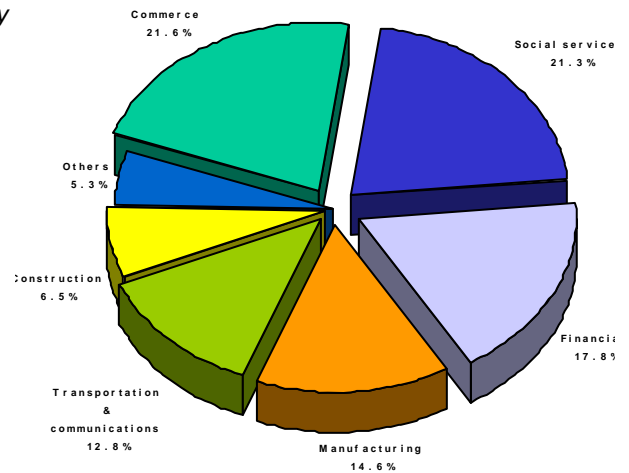
include: USA, Canada, Spain, Italy, UK & China

**Maquiladora:** There are 87 maquiladoras.

Maquiladoras companies employs 31,100 workers.

Source: Ministry of the Economy, Government of State and INEGI.

### Major Economic Activity in 2002



Source: Ministry of Economy with INEGI data.

### Infrastructure:

1,507 km of paved roads  
 274 km of highways (4 lanes)  
 1 International airport  
 1 Sea Port (Progreso)  
 108 Universities and tech institutes  
 54 Hospitals  
 190,000 Fixed telephone lines

### Contact

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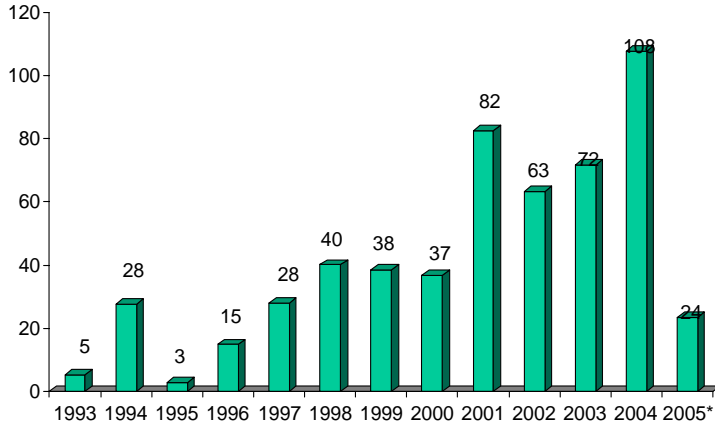
# Alaska

## Success Stories

Between 1993 and 2004 Alaska's exports to Mexico grew 1970%  
Mexico is the sixth largest consumer market of Alaska's exports

### Exports to Mexico

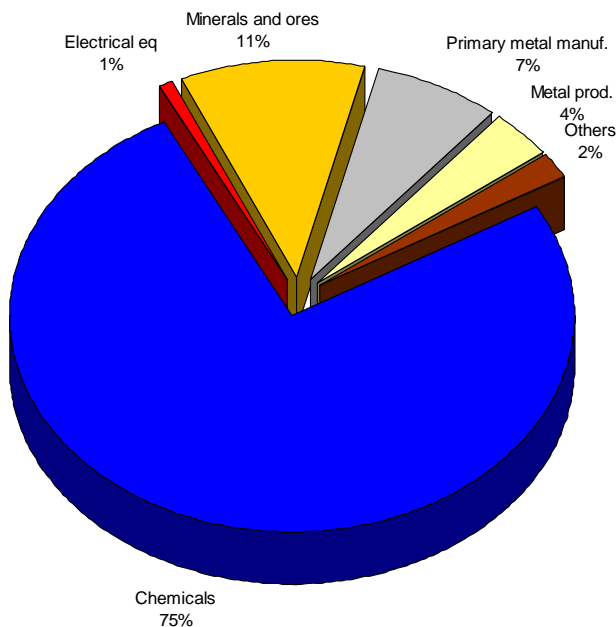
1993-2005\* (Millions of US Dollars)



Source: US Census, WISER and SE-NAFTA Series. 2000-2005, NAICS series.  
\* 2005 First quarter

### By Sector (NAICS)

2005 First Quarter



Source: US Census, WISER and SE-NAFTA. SIC Series 1993-2000  
NAICS series 2001-2005.

### Maquila industry grows in Yucatan

Cheap workforce, family tradition and the right infrastructure are key ingredients that have made the maquila industry in Yucatán a powerful engine in creating jobs.

During the past year, the maquila industry in Yucatan has created 3,532 new jobs (as of February 2005). In comparison, the states of Aguascalientes, Guanajuato, Zacatecas, San Luis Potosi, Sinaloa and Durango altogether created 2,922 new jobs in the same period.

This rapid growth is also due to the fact that salaries in Yucatan are the lowest in the country for the maquiladora industry: at only 73 pesos a day, while the national average is 104.5 pesos and the maximum is 120 pesos in the state of Nuevo Leon.

The National Council for the Maquiladora Industry considers the most important factors that have led to this growth: the value added as well as the use of new technologies more so than simply the cheap workforce available.

The maquila industry in Yucatan focuses heavily on the textile sector and continues to operate under family traditions in local companies. In fact, 35% of all registered companies work in the textile sector. There are many success stories.

"Guayaberas México" is a perfect example. It started as a family business in 1970 when the family Candila Ancona founded a small company to produce guayaberas, a typical shirt of Southeast Mexico. Later, they signed a partnership with Mario La Villa, a Cuban-American entrepreneur, creating new models of guayaberas sold in Mexico and now exported to the US.

Another example is Ormex, a maquila for dental pieces and materials that was awarded the National Export Prize last year. Ormex generates 720 jobs and is rapidly growing.

In short, the maquila industry located in Yucatan has definitely helped to boost the state's labor market: 6 out of every 10 jobs created in Yucatan last year were connected to the maquiladora industry, and though there are only 87 establishments, they continue to grow very fast.

These factors make Southern Mexico another privileged location for large maquiladoras seeking to ensure faster access to the European, Central and South American markets.

NAFTA WORKS FOR

# **NAFTA Related Events**

## **May 11 – 12**

“SECURITY México“

México, D.F. – World Trade Center

SECURITY México is the country's largest and most important security conference & expo highlighting border and cargo security, maritime security, infrastructure protection and supply chain security. The event expects the participation of over 100 exhibitors and 1,000 delegates from México, Canada and the United States.

<http://www.securitymexico.org/>

[http://www.exposwtc.com/eventos/detalles\\_expo.php?id=463](http://www.exposwtc.com/eventos/detalles_expo.php?id=463)

## **May 11 – 13**

“11th Annual Summit HEMISPHERIA San Pedro 2005“

San Pedro Garza Garcia, Nuevo León – Hotel Presidente InterContinental Monterrey

Hosted by the Border Trade Alliance (BTA), the City of San Pedro, the North American International Trade Corridor Partnership (NAITCP) and the North America's Super-Corridor Coalition (NASCO), this event will present the conferences related to different aspects of the relationship among NAFTA countries. Confirmed speakers include Mexican Secretary of Foreign Affairs, Luis Ernersto Derbez; Mexican Secretary of Energy, Fernando Elizondo Barragán; Mexican Secretary of the Economy, Fernando Canales Clariond; the U.S. Ambassador in Mexico, Tony Garza; and the Canadian Ambassador in Mexico, Gaeten Lavertu. Some of the most relevant conferences will be: “NAFTA Plus. Mexico's Vision For The Second Decade”, “Best Practices in Innovative Local Development”, “Regional Energy Cooperation In North America” and “Regional Convergence, Model for Local Development.”

<http://www.naitcp.org>

<http://www.sanpedro.gob.mx>

## **May 19 – 20**

“Expo Corrosion México 2005“

Boca del Rio, Veracruz – World Trade Center

This is the most important exhibition and congress in Mexico that focuses on all industrial sectors related to corrosion problems; from manufacture plants of specialized metallic structure and contractors related to activities of coating application, to companies that sell equipment, cathodic protection solutions and gear related to industrial coatings installation. The event's focal point is surface treatment, coating application and corrosion control.

<http://www.expocorrosion.com/contenidoe.jsp>

## **May 24 – 27**

“Foro Mundial de la Calidad – INLAC 2005“

Boca del Rio, Veracruz – World Trade Center

This forum is a unique event in Latin America that provides, through a series of conferences and exhibitions, an update in relation to management of quality.

[http://www.inlac.org/foro\\_mundial\\_2005.html](http://www.inlac.org/foro_mundial_2005.html)

## **May 25 – 26**

“Transportation EXPO“

Monterrey, Nuevo León – CINTERMEX

International show for transport cargo and passenger industry, parts, accessories, equipment and services suppliers.

<http://www.cintermex.com.mx/cgi-bin/eventos.asp?i=i&a=5>

## **May 25 – 27**

“Expo Proveedores del Transporte Monterrey“

Monterrey, Nuevo León – CINTERMEX

International show for transport cargo and passenger industry, parts, accessories, equipment and services suppliers.

<http://www.cintermex.com.mx/cgi-bin/eventos.asp?i=i&a=5>

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