



NAFTA Facts

Office of the United States Trade Representative
March 2008

www.ustr.gov

NAFTA – Myth vs. Facts

Myth #1: After 14 years, we know NAFTA has not achieved its core goals of expanding trade and investment between the U.S., Canada, and Mexico.

Fact: From 1993 to 2007, trade among the NAFTA nations more than tripled, from \$297 billion to \$930 billion. Business investment in the United States has risen by 117 percent since 1993, compared to a 45 percent increase between 1979 and 1993¹.

Myth #2: NAFTA has cost the U.S. jobs.

Fact: U.S. employment rose from 110.8 million people in 1993 to 137.6 million in 2007, an increase of 24 percent. The average unemployment rate was 5.1 percent in the period 1994-2007, compared to 7.1 percent during the period 1980-1993.

Myth #3: NAFTA has hurt America's manufacturing base.

Fact: U.S. manufacturing output rose by 58 percent between 1993 and 2006, as compared to 42 percent between 1980 and 1993. Manufacturing exports in 2007 reached an all time high with a value of \$982 billion.

Myth #4: NAFTA has suppressed U.S. wages.

Fact: U.S. business sector real hourly compensation rose by 1.5 percent each year between 1993 and 2007, for a total of 23.6 percent over the full period. During 1979-1993, the annual rate of real hourly compensation rose by 0.7 percent each year, or 11 percent over the full 14-year period.

¹ NAFTA entered into force on January 1, 1994.

Myth #5: NAFTA has not delivered benefits to U.S. agriculture.

Fact: Canada and Mexico accounted for 37% of the total growth of U.S. agricultural exports since 1993. Moreover, the share of total U.S. agricultural exports destined for Canada or Mexico has grown from 22% in 1993 to 30% in 2007. NAFTA access is most crucial for agriculture, where Mexico has its highest MFN tariffs. Mexico is the top export destination for beef, rice, soybean meal, corn sweeteners, apples and dry edible bean exports. It is the second export market for U.S. corn, soybeans and oils, and third largest for pork, poultry, eggs, and cotton.

Myth #6: NAFTA has reduced wages in Mexico.

Fact: Mexican wages grew steadily after the 1994 peso crisis, reached pre-crisis levels in 1997; and have increased each year since. Several studies note that Mexican industries that export or that are in regions with a higher concentration of foreign investment and trade also have higher wages.

Myth #7: NAFTA investment provisions have put legitimate U.S. laws and regulations at risk.

Fact: Nothing in NAFTA's investment provisions prevents a country from adopting or maintaining non-discriminatory laws or regulations that protect the environment, worker rights, health and safety, or other public interest. The United States has never lost a challenge in the cases decided to date under NAFTA, nor paid a penny in damages to resolve any investment dispute. Even if the United States were to lose a case, it could be directed to pay compensation but it could not be required to change the laws or regulations at issue.

Myth #8: NAFTA has done nothing to improve the environment.

Fact: NAFTA created two binational institutions unique to the agreement which certify and finance environmental infrastructure projects to provide a clean and healthy environment for residents along the U.S.-Mexico border. To date, they have provided nearly \$1 billion for 135 environmental infrastructure projects with a total estimated cost of \$2.89 billion and allocated \$33.5 million in assistance and \$21.6 million in grants for over 450 other border environmental projects. The Mexican government has also made substantial new investments in environmental protection, increasing the federal budget for the environmental sector by 81% between 2003 and 2008.