

The North American Free Trade Agreement And What It Means



What is the North American Free Trade Agreement?

The North American Free Trade Agreement, or NAFTA, is a multi-lateral trade agreement that links the United States with its largest and third-largest trading partners, Canada and Mexico, creating the largest and richest market in the world. In total, the three countries have 370 million consumers, producing \$6 trillion in goods and services annually.

The agreement is designed to generate jobs, spur economic growth and protect the environment. It will help make the United States more competitive in a global market. Unlike the European Economic Community (EEC), which has many economic policies, tariffs and taxes in common, NAFTA would deal *only* with the flow of goods and services and investment among the three trading partners.



CANADA

Population: 26.8 million
GDP: \$592.9 billion
GDP per capita: \$22,123



UNITED STATES

Population: 253.7 million
GDP: \$5,737 billion
GDP per capita: \$22,611



MEXICO

Population: 90.0 million
GDP: \$280 billion
GDP per capita: \$3,111

Source: International Division, U.S. Chamber of Commerce

What are the benefits of NAFTA?

- Gives U.S. exporters increased access to a huge single market stretching from Alaska to Mexico's Yucatán Peninsula.
- Generates new high-paying jobs. Export-related jobs, which generally pay 17% more than the average U.S. job, are projected to increase by more than 300,000 by 1995.
- Helps Mexico grow, making it a better customer and more stable neighbor.
- Protects workers' health, safety and the environment.

What about access to markets?

Major sectors of the U.S. economy will have greater access to Canadian and Mexican markets, which will increase investment and sales, and create jobs. Trade opportunities in Mexico are particularly attractive for Arkansas, Louisiana, Oklahoma and Texas.

- *Automotive Trade:* Mexican tariffs will be cut in half immediately after NAFTA enters into effect, from 20% to 10%. The remaining tariffs will be eliminated over 10 years.
- *Textiles and Apparel:* NAFTA eliminates all barriers with Mexico on more than 20% or some \$250 million worth of textile and apparel exports. Over a period of six years, it eliminates barriers to another \$700 million worth of U.S. textile exports.
- *Energy and Petrochemicals:* U.S. companies for the first time have access to Mexico's electricity, petrochemical, gas and energy services markets.
- *Agriculture:* Tariffs will be cut, and Mexican import licenses, covering an estimated 25% of all U.S. agricultural exports, will be eliminated.

How does NAFTA protect the environment?

NAFTA specifically identifies environmental protection and conservation as a prime objective. The agreement:

- *Recognizes* that the United States, Canada and Mexico should not compete for investment by lowering their health, safety or environmental standards.
- *Encourages* a strong commitment to environmental protection and enforcement.
- *Establishes* guidelines to improve environmental protection levels for humans, animals and plants.
- *Maintains* existing U.S. health, safety and environmental standards.
- *Allows* the three countries, as well as states and cities, to enact even tougher standards.
- *Encourages* all parties to harmonize their standards upward to strengthen environmental and health protection.

Won't NAFTA encourage companies to move to Mexico?

No. Because NAFTA eliminates tariffs, companies no longer have an incentive to relocate to avoid trade barriers. Under NAFTA, most companies are likely to find more advantages from staying in the U.S. and exporting to Mexico.

- NAFTA's strong rules of origin mean that only North American-made products would benefit from tariff cuts. Non-NAFTA countries wouldn't gain duty-free access.
- U.S. companies providing an estimated 150 types of services would be able to compete in Mexico's \$150 billion services market.
- Exporting costs and red tape for U.S. firms would diminish. Professionals could work in Mexico for extended periods with fewer restrictions.
- Shipping times and costs would drop, because cargo wouldn't have to be unloaded from U.S. trucks and reloaded onto Mexican trucks at the border.

Will smaller companies also benefit from NAFTA?

Yes. In fact, small and mid-sized exporters, especially in the Southwest, are expected to benefit the most. For smaller companies, Mexico represents a new and untapped market, with great potential for increased sales.

- Mexico already imports \$33 billion in U.S. manufactured goods. NAFTA puts an end to import limits, opening markets to smaller companies.
- A non-partisan research group has projected that NAFTA will encourage an additional \$16.7 billion in U.S. exports to Mexico by 1995.

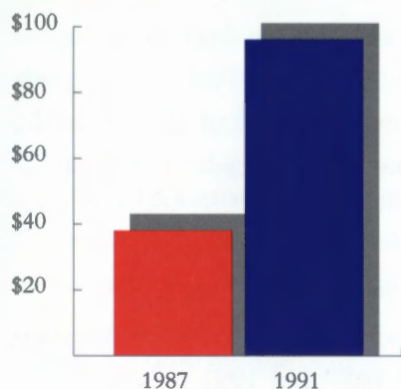
How has trade with Mexico affected the economies of Arkansas, Louisiana, Oklahoma and Texas?

- Goods and services from these states will move more freely into the rapidly growing Mexican market. New export-related jobs and growth of companies resulting from NAFTA are expected to add an estimated additional \$28 billion to the Texas economy in this decade, according to the Texas Department of Commerce.
- According to the United States Trade Representative (USTR), the combined growth rate—as a result of exports to Mexico—for Arkansas, Louisiana, Oklahoma and Texas between 1987 and 1991 reflects an increase of 236,300 jobs.
- Texas already exports more goods and services to Mexico than any other state. In 1991, Texas accounted for 40% of all U.S. exports to Mexico—more than \$15.5 billion.
- Arkansas, Louisiana and Oklahoma already are increasing their exports and will benefit further from new businesses and jobs created by additional exports to Mexico.

Exports to Mexico by Selected States

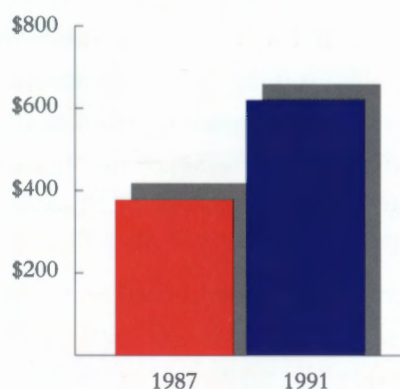
Arkansas, Up 154%

(in millions of dollars)



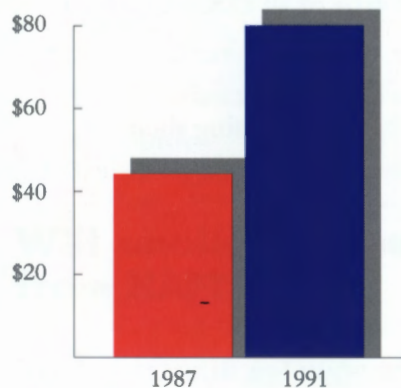
Louisiana, Up 64%

(in millions of dollars)



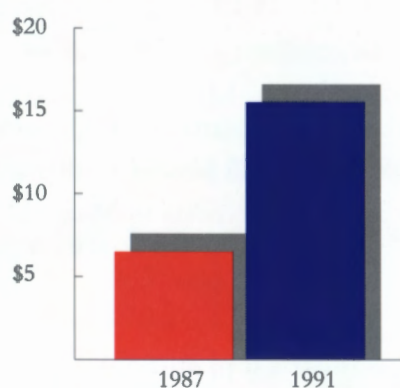
Oklahoma, Up 82%

(in millions of dollars)



Texas, Up 140%

(in billions of dollars)



Source: U.S. Department of Commerce

Does NAFTA benefit Central and South West Corporation?

Yes. Central and South West Corporation, a public utility holding company, strongly supports the North American Free Trade Agreement.

CSW's four electric utility companies provide electricity to more than 4 million people in Texas, Oklahoma, Louisiana and Arkansas. Its 152,000-square-mile operating area is the second largest of any electric utility system in the United States.

Two CSW subsidiaries, Central Power and Light Company and West Texas Utilities Company, have served the Texas border with Mexico for decades, working cooperatively with Mexico.

Central Power and Light and Mexico's Comisión Federal de Electricidad participated in the construction of the Amistad and Falcon Dams, which provide power to both countries. Along with West Texas Utilities, the companies have agreed to provide power during emergencies.

As a result of the North American Free Trade Agreement, utility companies like CSW will be able to build and operate independent power plants in Mexico and plan joint ventures with Mexican industry.

Because NAFTA will stimulate the economy in the Southwest, it will provide new growth—in investment, sales and jobs.

How can I support NAFTA?

Let your members of Congress know that you support the benefits of NAFTA and want them to vote for it. Call or write them at:

The House of Representatives

Washington, D.C. 20515

Phone 202/225-3121

The United States Senate

Washington, D.C. 20515

Phone 202/224-3121

Where can I learn more about NAFTA?

These organizations can provide detailed information about NAFTA and about starting or expanding your company's exports to Mexico or Canada:

Texas Department of Commerce

Business Development Division

P.O. Box 12728

Austin, TX 78711

Phone 512/472-5059

Oklahoma Department of Commerce

International Trade Office

P.O. Box 26980

Oklahoma City, OK 73126-0980

Phone 405/843-9770

Arkansas -

U.S. Department of Commerce

International Trade Administration

425 W. Capitol, Suite 700

Little Rock, AR 72201

Phone 501/324-5794

U.S. Department of Commerce

Office of Mexico

14th and Constitution Avenue, N.W.

Washington, D.C. 20230

Phone 202/482-4464

or 202/482-0399

Louisiana Department of Commerce

International Trade Office

P.O. Box 94185

Baton Rouge, LA 70804-9185

Phone 504/342-5361

Guide to NAFTA

United States Chamber of Commerce

International Division

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