

**NAFTA DELIVERS FOR MISSOURI**

**1999 REPORT\***

Prepared for the  
Council of the Americas  
and  
the U.S. Council of the  
Mexico-U.S. Business Committee

by

The Trade Partnership  
Washington, DC

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\* In June 1997, the Council of the Americas produced a study entitled *The Impact of the North American Free Trade Agreement on Missouri*, prepared by The Trade Partnership. The 1997 study looked at NAFTA's impact from 1993 to 1996. This study was previously updated in May 1998 and August 1999. If you would like to obtain a copy of the previous studies, please call the Council of the Americas at (202) 639-0724.

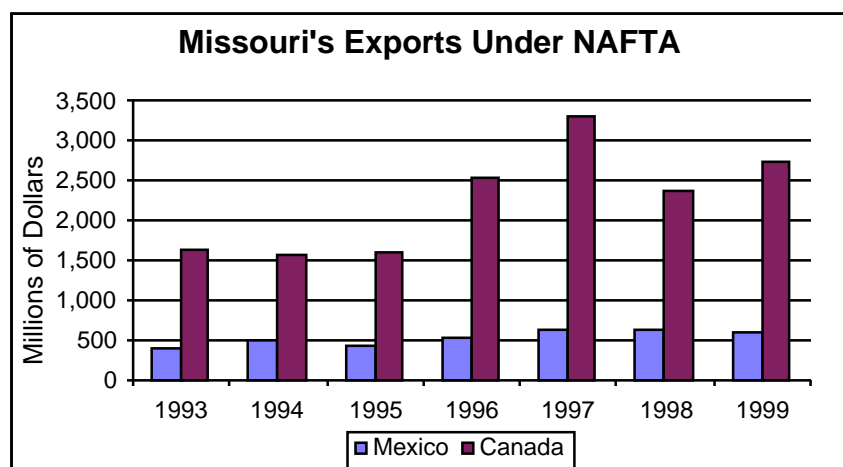
## NAFTA DELIVERS FOR MISSOURI

### 1999 REPORT

The North American Free Trade Agreement (NAFTA) once again brought great benefits to the state of Missouri in 1999. NAFTA has led to a dramatic increase in exports of Missouri products to Canada and Mexico since it was implemented in 1994. Both large corporations and small businesses in Missouri are benefiting from NAFTA and the number of jobs supported by trade with the NAFTA partners has risen significantly under the agreement. International trade is increasingly important to state economies and local communities. This report demonstrates that NAFTA has been a clear success for the state of Missouri.

### NAFTA AND TRADE

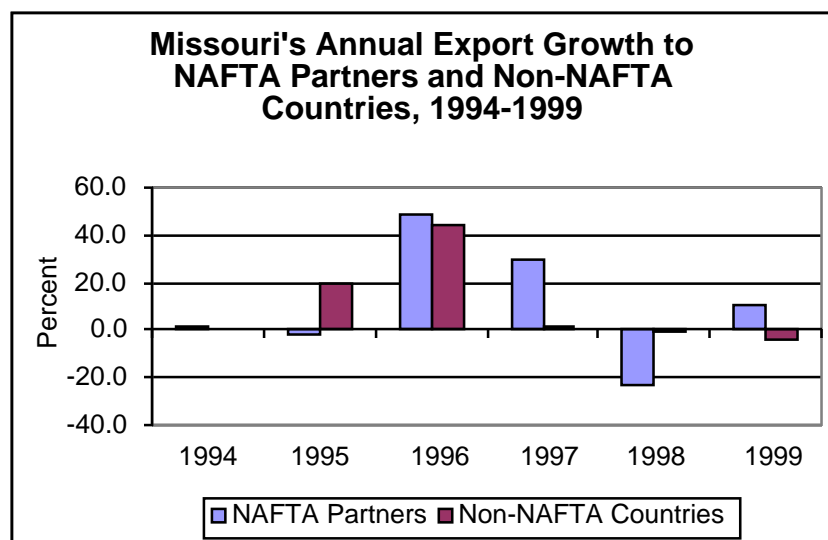
- Exports from Missouri to Mexico and Canada continued to benefit from NAFTA in 1999. Overall, state exports to NAFTA partners grew 10.4 percent during the year. Missouri's exports to Canada reached \$2.7 billion and exports to Mexico totaled \$608.0 million in 1999.
- Missouri's exports to NAFTA partners have increased 63.4 percent since the trade agreement was implemented on January 1, 1994, representing a 65.5 percent growth of state exports to Canada and a 54.4 percent growth of state exports to Mexico.
- In 1999, Canada and Mexico were Missouri's first- and second-largest export markets, respectively, accounting for 50.5 percent of Missouri's total exports.



Source: Massachusetts Institute for Social and Economic Research (MISER)

## **EXPORT GROWTH UNDER NAFTA**

- NAFTA bolstered exports from Missouri through the continued elimination of tariffs in 1999. Virtually all U.S. products can now enter Canada duty-free. In 1999, the average Mexican tariff applied to U.S. goods was 1.8 percent, with two-thirds of U.S. exports to Mexico entering duty-free.
- NAFTA has eliminated Mexican and Canadian tariffs on U.S. exports of computer equipment and software. Missouri's exporters of high-technology manufactured goods benefited from strong sales to Mexico and Canada in 1999. Exports of industrial machinery and computers and electronic and electrical equipment from Missouri to Canada have grown 70.3 percent to \$415.8 million since NAFTA took effect. Missouri's exports to Mexico of these products have grown 88.0 percent over the same period and accounted for 34.2 percent of Missouri's total exports to Mexico in 1999.
- In 1999, Missouri's transportation equipment exports to Mexico and Canada continued to benefit from NAFTA's elimination of tariffs. Thanks to NAFTA, all U.S. auto parts exports to Canada and 75 percent of U.S. auto parts exports to Mexico were duty-free in 1999. Transportation equipment exports from Missouri to Canada increased 13.2 percent to \$1.3 billion during the year. In 1999, transportation equipment accounted for 47.4 percent of total state exports to Canada. Meanwhile, exports of Missouri's transportation equipment to Mexico totaled \$18.9 million during 1999.
- Missouri's high-value added chemical exports have benefited from NAFTA's tariff elimination. In 1999, all chemical exports to Canada and two-thirds of chemical exports to Mexico were duty-free. As a result, state chemical exports to Canada and Mexico have expanded under NAFTA, increasing 66.6 percent and 33.6 percent, respectively, since 1993. Missouri's chemical exports to Canada were up 111.1 percent this past year alone.
- Missouri's farm sector benefited from agricultural exports to Mexico in 1999. In 1999, agricultural crops ranked as the state's second-largest export to Mexico, accounting for 17.2 percent of total exports. Farmers in Missouri also benefited from exports of agricultural products to Canada, which totaled \$4.0 million in 1999. NAFTA has eliminated virtually all Canadian tariffs on U.S. crop exports.
- While exports to non-NAFTA countries have languished, Missouri's exports to NAFTA countries recovered strongly in 1999.



Source: Massachusetts Institute for Social and Economic Research (MISER)

## **COMPANIES BENEFITING FROM NAFTA**

*NAFTA has allowed **Ford Motor Company**, which has an assembly plant in Kansas City, to offer a wider variety of vehicles to Mexican consumers than it could prior to the agreement. Rod Sieb, International Issues Manager for Ford, credits NAFTA's lowering of tariffs and local content requirements with allowing Ford to "incrementally increase production at its U.S. assembly facilities." In addition, automobiles produced by Ford in Mexico contain a higher percentage of U.S.-made parts and equipment now than they did before NAFTA.<sup>1</sup>*

***Farmland Industries** (Kansas City) has benefited from NAFTA's reduction of tariffs on agricultural products. Company Spokesperson Sherlyn Manson stated that Farmland has hired more workers as a result of NAFTA.<sup>2</sup> **Ray-Carroll County Co-Op** (Richmond), a cooperative associated with Farmland, has seen its shipments of soybeans to Mexico increase from 10 percent of its total sales to 70 percent following NAFTA. Grain Manager Roger Fray credits NAFTA's reduction of Mexican soybean tariffs with this growth and says that "our volume of soybean sales to Mexico has increased five times since NAFTA and this growth should continue."<sup>3</sup>*

***BYP Medical** (St. Louis) increased exports of its medical products to Mexico due to NAFTA. According to President Ron Overly, "One of the reasons we chose to open an office in Mexico was to be more competitive under NAFTA. With the lower tariffs, our products are more competitive than the two other major competitors, Germany and Japan."<sup>4</sup>*

***Harmon Industries, Inc.** (Blue Springs) won a \$3 million contract to provide Ferrocarril Mexicano Railroad with "hot box" detectors on six operational rail lanes. President and CEO Bjorn Olson reported that, "Prospects for business growth in Mexico are excellent as trade routes are opened up south of the border following increased trade, resulting in part from the NAFTA agreements."<sup>5</sup>*

## **EMPLOYMENT GAINS UNDER NAFTA**

- In 1999, Missouri's production of goods for export to Canada directly supported approximately 12,989 jobs, while state exports to Canada directly supported an additional 2,808 jobs, for a total of over 15,797 jobs.<sup>6</sup> The actual number of jobs benefiting from trade with NAFTA partners is much higher, once related jobs in transportation, banking, finance and other sectors are included.
- The Department of Labor certified approximately 2,602 Missouri workers for NAFTA Trade Adjustment Assistance (TAA) in 1999. However, TAA program officials emphasize that a NAFTA-TAA certification does not imply that job losses were necessarily due to NAFTA. Workers certified under NAFTA-TAA are often adversely affected by increased imports from many countries, including Mexico and Canada. Further, it should be recognized that imports from and shifts of production to Mexico and Canada occurred before as well as after the enactment of NAFTA.



Source: Bureau of Labor Statistics, U.S. Department of Commerce.

**Missouri's Exports to Canada**  
(Millions)

|                                | 1993             | 1994             | 1995             | 1996R            | 1997             | 1998             | 1999             |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total</b>                   | <b>\$1,646.6</b> | <b>\$1,574.8</b> | <b>\$1,613.6</b> | <b>\$2,518.2</b> | <b>\$3,311.2</b> | <b>\$2,370.1</b> | <b>\$2,725.3</b> |
| <i>Agricultural products*</i>  | 6.4              | 4.0              | 3.9              | 4.7              | 8.5              | 6.3              | 4.0              |
| <i>Manufactured products</i>   | 1,609.6          | 1,532.8          | 1,564.9          | 2,466.7          | 3,247.3          | 2,318.2          | 2,677.5          |
| Transportation equipment       | 733.1            | 557.9            | 610.3            | 1,489.4          | 2,127.8          | 1,141.1          | 1,291.3          |
| Chemicals & related products   | 239.5            | 155.7            | 179.5            | 192.8            | 179.7            | 189.0            | 399.0            |
| Industrial mach., computers    | 147.8            | 200.6            | 197.0            | 198.4            | 250.6            | 261.6            | 258.5            |
| Electronic, electrical equip.  | 96.3             | 117.2            | 105.1            | 117.8            | 134.1            | 150.3            | 157.3            |
| Fabricated metal products      | 88.4             | 160.0            | 91.0             | 87.9             | 90.0             | 96.8             | 105.4            |
| Food and related products      | 60.5             | 75.8             | 104.9            | 92.8             | 115.0            | 104.9            | 102.1            |
| Rubber and plastic products    | 50.9             | 42.3             | 50.4             | 43.2             | 56.2             | 68.0             | 75.5             |
| Primary metal products         | 40.5             | 45.4             | 46.2             | 44.6             | 56.1             | 59.5             | 55.6             |
| Printing and publishing        | 30.8             | 34.1             | 43.7             | 49.4             | 60.4             | 48.6             | 53.4             |
| Instruments & related products | 21.9             | 29.8             | 31.2             | 40.8             | 40.3             | 42.2             | 50.4             |
| Paper and related products     | 13.8             | 24.2             | 20.4             | 21.4             | 20.1             | 25.1             | 25.8             |
| Lumber and wood products       | 12.1             | 10.2             | 9.5              | 11.9             | 16.0             | 24.5             | 23.2             |
| Furniture and fixtures         | 19.3             | 35.6             | 24.8             | 25.1             | 31.8             | 33.2             | 16.8             |
| Stone, clay and glass products | 17.1             | 13.7             | 14.5             | 13.7             | 17.7             | 19.4             | 16.7             |
| Textile mill products          | 4.3              | 4.7              | 8.2              | 9.7              | 9.4              | 10.7             | 11.8             |
| Other manufactured products    | 33.3             | 25.6             | 28.2             | 27.8             | 42.1             | 43.3             | 34.8             |
| <i>Other industries</i>        | 30.5             | 38.1             | 45.0             | 46.5             | 55.6             | 45.7             | 43.8             |

\* MISER data significantly understate the actual value of state agriculture exports to Canada. Indeed, this understatement also means that the total value of Missouri's exports to Canada is understated.

Notes: Data beginning in 1996 are not directly comparable with data for earlier years due to a change in the method of distribution of state export data. Industry totals may not equal the sum of the sectors due to rounding.

Source: Massachusetts Institute for Social and Economic Research (MISER), State of Origin Exports, Series 1.

**Missouri's Exports to Mexico**  
(Millions)

|                                  | 1993           | 1994           | 1995           | 1996R          | 1997           | 1998           | 1999           |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Total</b>                     | <b>\$393.9</b> | <b>\$503.9</b> | <b>\$426.1</b> | <b>\$519.0</b> | <b>\$618.2</b> | <b>\$649.9</b> | <b>\$608.0</b> |
| <i>Agricultural products*</i>    | 74.1           | 105.3          | 98.9           | 179.8          | 177.3          | 152.0          | 104.6          |
| Agricultural crops               | 73.9           | 104.0          | 98.9           | 179.7          | 176.3          | 151.3          | 104.1          |
| Other agricultural products      | 0.2            | 1.3            | 0.0            | 0.1            | 0.7            | 0.7            | 0.5            |
| <i>Manufactured products</i>     | 313.2          | 392.8          | 316.6          | 325.0          | 423.4          | 463.7          | 464.9          |
| Electronic and electrical equip. | 69.9           | 96.2           | 78.4           | 92.1           | 104.9          | 118.5          | 145.0          |
| Industrial mach., computers      | 40.8           | 45.4           | 51.1           | 41.5           | 54.0           | 68.4           | 63.1           |
| Food and related products        | 48.5           | 43.1           | 42.8           | 44.0           | 45.4           | 40.6           | 57.5           |
| Chemicals & related products     | 33.6           | 51.6           | 34.6           | 36.6           | 50.8           | 58.2           | 44.9           |
| Primary metal products           | 20.9           | 28.9           | 42.4           | 45.3           | 67.7           | 56.8           | 43.1           |
| Fabricated metal products        | 13.7           | 16.8           | 11.9           | 6.4            | 17.4           | 24.2           | 25.4           |
| Transportation equipment         | 18.9           | 32.6           | 6.8            | 10.1           | 25.3           | 25.3           | 18.9           |
| Rubber and plastic products      | 9.5            | 16.1           | 6.4            | 8.1            | 8.9            | 10.0           | 15.1           |
| Instruments & related products   | 5.0            | 7.4            | 5.5            | 9.7            | 12.3           | 16.0           | 13.3           |
| Apparel products                 | 4.2            | 7.5            | 6.7            | 2.3            | 10.7           | 15.4           | 10.2           |
| Paper and related products       | 4.7            | 6.2            | 6.4            | 5.3            | 6.7            | 9.1            | 9.3            |
| Textile mill products            | 2.9            | 3.6            | 2.4            | 1.2            | 2.0            | 2.2            | 3.9            |
| Printing and publishing          | 20.2           | 15.0           | 15.1           | 16.3           | 7.5            | 8.3            | 3.4            |
| Stone, clay and glass products   | 2.0            | 2.6            | 3.0            | 2.4            | 3.3            | 3.0            | 2.5            |
| Lumber and wood products         | 1.4            | 0.8            | 0.8            | 0.6            | 1.2            | 2.1            | 2.0            |
| Other manufactured products      | 17.0           | 19.0           | 2.3            | 3.1            | 5.3            | 5.6            | 7.3            |
| <i>Other industries</i>          | 6.5            | 5.7            | 10.5           | 14.1           | 17.6           | 34.3           | 38.2           |

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Industry totals may not equal the sum of the sectors due to rounding.

Source: Massachusetts Institute for Social and Economic Research (MISER), State of Origin Exports, Series 1.

## **ENDNOTES**

- 1 Interview with Rod Sieb, International Issues Manager, Ford Motor Company, by The Trade Partnership, March 23, 2000.
- 2 Sherwood Ross, "Is NAFTA Creating Higher-paying Jobs?," Reuters, April 3, 2000.
- 3 Interview with Roger Fray, Grain Manager, Ray-Carroll County Co-op, by The Trade Partnership, April 4, 2000.
- 4 Interview with Ron Overly, President, BVP Medical, by The Trade Partnership, June 14, 1999.
- 5 "Harmon Expands Mexican Business," Harmon Industries Corporate Press Release, February 22, 1999.
- 6 Derived from Lester Davis, U.S. Jobs Supported by Goods and Services Exports, 1983-94, U.S. Department of Commerce, Economics and Statistics Administration, November 1996.