NAFTA 10 YEARS LATER

CHEMICALS

Export Highlights

U.S. firms exported a total of $107.6 billion in chemicals in 2002, including $13.6 billion to Mexico and $22.6 billion to Canada. Together, our NAFTA partners account for 34% of total U.S. exports of chemicals.

Industry Facts

- NAFTA partners provide key export markets for the U.S. chemical sector. Last year, Mexico and Canada were the first and third largest export markets, respectively, for U.S. chemical firms.

- The United States is an important export market for Mexico and Canada. In 2002, Mexico exported $2.9 billion in chemicals to the United States, and Canada exported $14.9 billion. These exports represent 56% and 85%, respectively, of those countries’ total exports in the chemical sector.

- The U.S. chemical industry, encouraged by opportunities offered by NAFTA trade rules, continues to focus on expanding NAFTA markets by upgrading investment and marketing plans, especially with regard to plastics, solvents, thinners, and other chemical preparations.
Trade Barrier Elimination

NAFTA eliminated virtually all Mexican and Canadian tariffs on U.S. chemical imports. Before NAFTA, U.S. chemical exports to Mexico were subject to an average 12% tariff, and as high as 20% on such products as polishes, creams, and pharmaceuticals. Today, U.S. firms receive an average 17% price advantage over other countries that export to Mexico, and as high as 28% on some products. Without NAFTA, U.S. cosmetic firms would be at a disadvantage because products of such key competitors as France and the United Kingdom will soon enter duty-free due to their FTA with Mexico.

Key Exporting States

Arizona, California, Illinois, Indiana, Louisiana, Massachusetts, Michigan, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Texas, Virginia

Success Stories

“NAFTA has helped facilitate our customers’ products movement into Mexico, directly adding to our bottom line,” says Kim Kensil, vice president of sales, Jeco Plastic Products, Plainfield, Indiana. Increased U.S.-Mexico trade under NAFTA has benefited Jeco, a second-tier supplier of custom plastic packaging products, because there is a greater need for packaging materials for products being shipped.

“Before NAFTA, we had to deal with smaller markets and servicing them as separate markets was more costly,” says R. Scott Miller, director of national government relations for Procter and Gamble, Cincinnati, Ohio. After NAFTA, P&G merged the three national units into one. Sales in Mexico doubled, and sales in Canada rose 50%. Today, the company makes Olay and Pepto-Bismol products in Mexico for sale across North America, feminine hygiene products in Canada, and a wide range of consumer goods in the United States for sale in all three countries. This has resulted in cost savings for P&G that in turn strengthen competitiveness.

Following NAFTA, Eastern Color and Chemical, of Providence, Rhode Island, supplies dyes and chemicals to the textile and leather industry in Mexico, which in turn exports textiles, apparel, and footwear to the United States and Canada. According to technical manager Fred Savell, business has been expanding in recent years, and the company anticipates doing even better in the next few years.

Employment Opportunities

The chemicals sector employs 1.7 million people nationwide. Following NAFTA implementation, employment in this industry sector grew 5% from 1992 to 1998 but declined in the following years during the global economic downturn, resulting in an overall decline of 5% from 1992 to 2002. Wages in the chemicals sector have increased 35% during this ten-year period.

The Sector

This sector includes industrial chemicals, agrochemicals and petrochemicals, pharmaceuticals (see the Pharmaceuticals report in this series), plastics, cosmetics, and paints and coatings.

Prepared by the U.S. Department of Commerce, International Trade Administration, Office of Industry Trade Policy. For more information, please contact the Office of Trade and Economic Analysis/Industry Trade Policy at 202.482.3703.