NAFTA 10 YEARS LATER

SERVICES

Export Highlights

U.S. firms exported a total of nearly $279.5 billion in services in 2002, up 63% since 1993. This included $24.3 billion to Canada and $15.9 billion to Mexico. Together, our NAFTA partners account for 14% of total U.S. services exports.

Export Highlights Chart

Industry Facts

- Sales of services by U.S. subsidiaries in Canada increased 176% from 1995 to 2001, to $51 billion. Sales of services by U.S. firms’ Mexican subsidiaries more than tripled over this period, reaching $7.7 billion in 2002. The United States has a $74 million trade surplus in services.

- The travel sector, while not directly covered by NAFTA, benefited from NAFTA-driven trade and investment growth and is the single largest service traded between the United States and our NAFTA partners. Travel accounted for more than one-fourth of total U.S.-NAFTA commercial services exports in 2002. Canadian and Mexican travelers to the United States spent $11.8 billion in 2002, or 18% of all spending by foreign visitors.

- Banking sectors benefited from NAFTA-driven liberalization and increased integration across Canada, Mexico, and the United States. NAFTA eliminated all of Mexico’s restrictions on market share in the banking sector and permits U.S. and Canadian investors to participate in the Mexican banking system through the acquisition of existing banks or the establishment of U.S. or Canadian-owned and -controlled subsidiaries. In 2002, U.S. financial services exports to Mexico totaled $290 million.

- Insurance sectors have flourished since NAFTA was implemented. NAFTA allows U.S. investors to participate in the Mexican insurance market via acquisitions, joint ventures, or subsidiaries. NAFTA eliminated Mexico’s restrictions on purchases by its citizens of U.S. life and health insurance when in the United States. In 2002, U.S. insurance services exports to Canada totaled $302 million.

From 1993 to 2002, U.S. services firms increased exports to Canada by 44% and increased exports to Mexico by 53%.

In 2002, U.S. firms captured 68% of Canada’s and Mexico’s combined import market in services.
Industry Facts (continued)

- Canada and Mexico also have benefited from increased services trade since NAFTA. Together, Canada’s and Mexico’s services exports to the United States reached $29 billion in 2002, representing an 81% increase between 1993 and 2002. The United States has an $10.7 billion trade surplus in services with Canada and Mexico.

Trade Barrier Elimination

NAFTA eliminated several important barriers to U.S. services trade. NAFTA established the principle of “national treatment” for services trade by which governments must treat NAFTA members’ services firms the same as local firms. NAFTA eliminated local presence requirements and quantitative restrictions that discriminate against non-local service providers. NAFTA also eliminated citizenship and permanent residency requirements for professional service providers of another NAFTA partner.

Success Stories

- NAFTA-driven manufacturing growth along the U.S.-Mexico border has allowed 3D/International to increase its design and construction management projects in Mexico, according to Alvaro Rizo-Patron, project manager at the San Antonio, Texas, office of the architectural firm.

- Increases in NAFTA-related assembly operations have enabled Netlink Transaction Services, of Victor, New York, to increase exports of cross-border payroll and banking services. This “virtual banking services provider” has increased the number of Mexican assembly plant workers in Mexico’s border cities for whom it provides banking services from 6,000 to more than 100,000 over the past few years.

- NAFTA has driven growth of bi-national companies, which in turn has increased business opportunities for Blue Shield of California, according to Jim Arriola, Blue Shield’s director for cross-border operations. The company provides health insurance to cross-border HMO services to workers employed by U.S. firms along the California-Mexico border.

“NAFTA has allowed us to expand our business in several ways,” says William Demlong, vice president for investments, UBS Paine Webber, Scottsdale, Arizona. By marketing new factories and assembly plants in Mexico as investment opportunities, UBS Paine Webber has increased its revenue as well as improved its clients’ portfolios. In addition, clients who own or operate businesses that import from Mexico can do so more affordably, which allows them to utilize more of the firm’s services.

Since NAFTA went into effect, CH2MILL of Denver, Colorado, has benefited from increased U.S.-Canada and Canada-Mexico trade. The company is the prime consultant and lead bridge engineer for two interchanges to ensure the free flow of traffic along the North/South Trade Corridor. The firm is responsible for detailed design services, tender package preparation, construction supervision, and administration of several contract packages.

Employment Opportunities, by Sector


Industries accounting for most of these jobs include retail trade (23 million); education (12 million); health services (11 million); finance, insurance, and real estate (8 million); wholesale trade (7 million); social services and membership organizations (6 million); transportation (4 million); recreational and entertainment services, including movies, radio, and television (3 million); and telecommunications (1 million).