The Americas: Trade and Investment Relations

Opportunities Abound with California Neighbors

Background and Impact

NAFTA and the Americas

The California Chamber of Commerce actively supported the creation of the North American Free Trade Agreement (NAFTA) among the United States, Canada and Mexico. The NAFTA nations now comprise 486.8 million people. The combined annual trade with the United States was nearly $1.1 trillion in 2016. In 2016, goods exports totaled more than $496 billion, while goods imports totaled nearly $572 billion, according to the U.S. Department of Commerce and the World Bank.

NAFTA Benefits

The CalChamber's long-standing support for NAFTA is based on an assessment that it serves the employment, trading and environmental interests of California, the United States, Canada and Mexico, and is beneficial to the business community and society as a whole. Since 1993, trade among the three NAFTA countries has nearly quadrupled.

The objectives of NAFTA are to eliminate barriers to trade; promote conditions of fair competition; increase investment opportunities; provide adequate protection of intellectual property rights; establish effective procedures for implementing and applying the agreements and resolving disputes; and to further trilateral, regional and multilateral cooperation.

NAFTA Facts

Per the U.S. Chamber of Commerce "Facts on NAFTA," NAFTA has generated substantial new opportunities for U.S. workers, farmers, consumers, and businesses.

• Trade with Canada and Mexico supports nearly 14 million American jobs, and nearly 5 million of these jobs are supported by the increase in trade generated by NAFTA.

• The expansion of trade unleashed by NAFTA supports tens of thousands of jobs in each of the 50 states—and more than 100,000 jobs in each of 17 states.

• Since NAFTA entered into force in 1994, trade with Canada and Mexico has nearly quadrupled to $1.3 trillion, and the two countries buy more than one-third of U.S. merchandise exports.

• The United States ran a cumulative trade surplus in manufactured goods with Canada and Mexico of more than $79 billion over the last seven years (2008–2014). For services, the U.S. surplus was $41.8 billion in 2014 alone.

• NAFTA has been a boon to the competitiveness of U.S. manufacturers, which added more than 800,000 jobs in the four years after NAFTA entered into force. Canadians and Mexicans purchased $487 billion of U.S. manufactured goods in 2014, generating nearly $40,000 in export revenue for every American factory worker.

• NAFTA has been a bonanza for U.S. farmers and ranchers, helping U.S. agricultural exports to Canada and Mexico to increase by 350%.

• With new market access and clearer rules afforded by NAFTA, U.S. services exports to Canada and Mexico have tripled, rising from $27 billion in 1993 to $92 billion in 2014.

• Canada and Mexico are the top two export destinations for U.S. small and medium-size enterprises, more than 125,000 of which sold their goods and services in Canada and Mexico in 2014.

NAFTA, the actual document, is more than 1,700 pages long, with 741 pages belonging to the treaty itself, 358 pages for annexes, and 619 for footnotes and explanations. The treaty is separated into eight parts: General; Trade in Goods; Technical Barriers in Trade; Government Procurement; Investment, Services and Related Matters; Intellectual Property; Administrative and Institutional Provisions; and Other Provisions. These eight parts are made up of 22 chapters, with an additional seven annexes.

Hemisphere-Wide Summit

On December 11, 1994, at the Summit of the Americas held in Miami, leaders of the 34 Western Hemisphere nations (excluding Cuba) agreed to establish the world's largest free trade bloc. A Free Trade Area of the Americas (FTAA) would unite the economies of the Americas into a single free trade area and progressively eliminate barriers to trade and investment. Following the fourth Summit of the Americas in November 2005, talks were put on hold.

CalChamber

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An Agenda for All Californians

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The FTAA would be a nearly $21 trillion economic area with more than 955 million consumers. The Summit of the Americas is held every three to four years. The 2015 summit was held in Panama City, Panama on April 10–11, for the first time with Cuba. The 2018 summit will be held in Lima, Peru on March 23–25.

U.S.-Dominican Republic/Central America Free Trade Agreement

The U.S.-Dominican Republic/Central America Free Trade Agreement (DR-CAFTA) was approved in 2005 with the governments of El Salvador, Nicaragua, Honduras, Guatemala, Costa Rica and the Dominican Republic. The agreement resulted in gains for U.S. exports, economic welfare and market access.

Under the agreement, more than 80% of U.S. exports were able to enter DR-CAFTA countries duty-free immediately, with all products having duty-free access in 10 years.

Leading U.S. exports to Central America include petroleum, computer and electronic products, and chemicals. Leading U.S. imports from Central America include apparel, agricultural products, miscellaneous manufactured commodities, and transportation equipment. The United States is the main supplier of goods and services to Central American economies.

The DR-CAFTA contributed to stronger economies, the rule of law, sustainable development and more accountable institutions of governance, complementing ongoing domestic, bilateral and multilateral efforts in the region.

U.S.-Chile Free Trade Agreement

The U.S.-Chile Free Trade Agreement (FTA) was implemented on January 1, 2004. Under the agreement, 85% of industrial products are traded without duties. In 2008, 75% of farm production became freely traded. After just 10 years of the agreement, all trade in nonagricultural goods takes place without tariffs or quotas; for agriculture, the phase-out took 12 years.

Two-way trade in goods between the United States and Chile has risen dramatically since implementation of the agreement. Petroleum, machinery and fertilizer from the United States experienced a marked improvement.

Top imports from Chile to the United States include agricultural products, primary metal manufacturing, and other animals. Top exports from the United States to Chile include transportation equipment, petroleum and coal products, chemicals, and computer and electronic products. Chile is California's 26th largest export market. In 2016, California exported approximately $1.3 billion to Chile.

Chile is roughly equal in size to California, and is home to nearly 18 million people and renowned copper mines. Chile has the most stable and fastest-growing economy in the region, which puts it in the best position to promote democracy and political freedom.

Since September 2010, the CalChamber has served on the Chile-California Council as part of the Chile-California Plan.

U.S.-Peru Free Trade Agreement

The U.S.-Peru FTA went into effect in 2008. Total trade in 2016 between Peru and the United States was nearly $14.2 billion. The United States exported almost $8 billion worth of goods to Peru.

According to the U.S. Department of Commerce, in 2016, California exported $375.7 million to Peru, making it the state's 42nd largest export destination.

Peru is the third largest country in South America and is approximately three times the size of California. It is the fifth most populous country in Latin America (after Brazil, Mexico, Colombia and Argentina), and has an annual gross domestic product (GDP) of $192.1 billion, according to the World Bank.

Peru is a source of both natural gas and petroleum. It also is the world's second largest producer of silver, sixth largest producer of gold and copper, and a significant source of the world's zinc and lead. Mineral exports make up around half of Peru's total export revenue.

About 500,000 U.S. citizens visit Peru annually for business, tourism and study. Nearly 16,000 Americans reside in Peru and more than 400 companies are represented in the country, according to the U.S. Department of State.

U.S.-Colombia Free Trade Agreement

In November 2006, the United States and Colombia signed an FTA. Colombia's Congress approved the agreement in 2007 and the U.S. Congress in 2011.

Per the U.S. Department of Commerce, International Trade Administration, the U.S.-Colombia Trade Promotion Agreement offers tremendous opportunities for California exporters. Duty-free immediately were 80% of U.S. consumer and industrial exports to Colombia, including nearly all information technology products; mining, agriculture and construction equipment; medical and scientific equipment; auto parts; paper products; and chemicals. The remaining tariffs phased out over 10 years.

Colombia is an emerging economy that is providing California with a quickly expanding export market and opportunity for future collaboration.

In 2016, the United States exported more than $13.1 billion worth of goods to Colombia. Total trade between the U.S. and Colombia amounted to $26.9 billion.

Since 2006, California exports to Colombia have nearly quadrupled. In 2016, California exports to Colombia totaled more than $447 million, making it California's 38th largest export destination.

U.S.-Panama Free Trade Agreement

In June 2007, the United States and Panama signed an FTA. The Panamanian government approved the FTA in 2007 and the U.S. Congress approved it in 2011.

Per the U.S. Department of Commerce, International Trade Administration, the U.S.-Panama FTA offers tremendous opportunities for California exporters. Panama's strategic location as a major shipping route and the massive project to expand the capacity of the Panama Canal enhance the importance of the U.S.-Panama FTA for California exporters.

Panama's GDP has seen consistent yearly growth in the realm of 8%–11% since 2011, according to the World Bank. Roughly 80% of Panama's GDP is created within its services sector. Operation of the Panama Canal, the banking industry, container ports, and medical and health are the largest factors of this service economy.

In total, California exported a value of $411 million to Panama in 2016, making it California's 40th largest export market. The development of the Panamanian economy reflects its growing place as a valuable trading partner of California.

Anticipated Action–NAFTA

The Trump administration began the process of renegotiating NAFTA in 2017. Negotiations officially began in August and the fifth round concluded in November 2017 in Mexico City. A week of technical talks were completed in December 2017. Negotiations are expected to continue into at least the first quarter of 2018.

The CalChamber supports the modernization of the agreement and urges a quick and efficient process, one that does not hinder ongoing trade and investment among the three NAFTA members, who must be kept united in the same end-goal of a successful renegotiation.

The CalChamber understands that NAFTA was negotiated more than 25 years ago, and while the U.S. and California economies and businesses have changed considerably over that period, NAFTA has not. The CalChamber agrees with the premise that the United States should seek to support higher-paying jobs in the United States and to grow the U.S. economy by improving U.S. opportunities under NAFTA.

The provisions of agreement with Canada and Mexico have been beneficial for U.S. industries, agricultural enterprises, farmers, ranchers, energy companies and automakers. Any renegotiation of NAFTA must recognize the gains achieved, and ensure that U.S. trade with Canada and Mexico remains strong and without interruption.

CalChamber Position

The California Chamber of Commerce, in keeping with long-standing policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad, and elimination of disincentives that impede the international competitiveness of California business. New multilateral, sectoral, regional and bilateral trade agreements ensure that the United States may continue to gain access to world markets, resulting in an improved economy and additional employment of Americans.

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