The Office of the United States Trade Representative

NAFTA Partners Speed up Elimination of Tariffs on $25 Billion in Trade

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WASHINGTON - The United States, Canada, and Mexico have agreed to accelerate the benefits that NAFTA brings to each country's consumers, workers, and businesses by eliminating tariffs on $25 billion in total trade.

The provisions of the North American Free Trade Agreement (NAFTA) allow for this accelerated process and were agreed upon in December. The changes are effective January 1, 2002.

"Speeding up the elimination of tariffs brings NAFTA's benefits to American consumers, workers, and businesses that much faster," said U.S. Trade Representative Robert B. Zoellick. "Over the next few years, this will help our economies sharpen their competitiveness and efficiency. I'm pleased that the three NAFTA partners were able to agree to cut their tariffs even faster than NAFTA's provisions required."

Canada and Mexico are the United States' largest trading partners. With the 2002 reductions, Mexico's average tariff on U.S. goods will fall from the pre-NAFTA average of 10 percent to under one-half of one percent. Each day the NAFTA parties conduct nearly $1.8 billion in trilateral trade. Zoellick noted that NAFTA has greatly benefitted the American economy:

- The longest period of economic growth in U.S. history came in the aftermath of NAFTA.
- Since NAFTA's implementation, U.S. exports to Mexico and Canada now support 2.9 million American jobs – 900,000 more than in 1993. Such jobs pay wages that are 13 to 18 percent higher than the average American wage.
- When the Congress approved NAFTA in 1993, trade between the United States and Mexico totaled $81 billion. In 2000, U.S.- Mexican trade reached $247 billion – nearly half a million dollars per minute.
- U.S. exports to our NAFTA partners increased 104 percent between 1993 and 2000; U.S. trade with the rest of the world grew only half as fast. Today the United States exports more to Mexico than to Britain, France, Germany, and Italy combined.

Background:

Under the tariff acceleration, Mexico and the U.S. are eliminating tariffs on an equivalent set of products, and Mexico will eliminate tariffs on additional items for which the U.S. tariff is already zero. Mexico and Canada are eliminating tariffs between their two countries on a parallel package of goods. NAFTA originally scheduled the elimination of tariffs on the products included in the agreement through periods extending to the year 2008. Duties on covered products traded between the United States and Canada were eliminated on January 1, 1998. Following procedures set out in NAFTA, Ambassador Zoellick and his Mexican and Canadian counterparts agreed to accelerate the elimination of tariffs.

Items included in the American tariff eliminations include several rubber and plastic footwear items. In addition to footwear, Mexico's tariff reductions on American products include motor vehicles, electrical and electronic goods, toys, and chemicals. Click here for a full list of items.

NAFTA provides that NAFTA governments may agree to reduce or eliminate tariffs on a faster schedule than originally provided. U.S. law authorizes the President to modify NAFTA duty treatment as necessary or appropriate to maintain the general level of reciprocal and mutually advantageous concessions provided in the NAFTA if the Administration follows certain procedures. USTR initiated this process in June 2001 with the issuance of a notice in the Federal Register soliciting public comment on a list of products on which the United States was considering whether to accelerate the elimination of NAFTA tariffs. USTR also requested the advice of the U.S. International Trade Commission ("ITC") and the appropriate private sector advisory committees regarding the proposed accelerated tariff elimination.

The ITC concluded that the elimination of U.S. tariffs under NAFTA on the proposed items would have little or no adverse impact on affected domestic industries, workers in those industries, or consumers of the goods. The ITC also determined that the expected duty savings resulting from the proposed tariff elimination would likely enhance the competitiveness of U.S. firms that assemble footwear in Mexico from U.S. components. USTR consulted with the footwear IFAC (Industry Functional Advisory Committee), which indicated that it was not opposed to the proposed accelerated tariff elimination.

Thereafter, USTR submitted a report, subject to a statutory 60-day consultation and layover period, to the House Ways and Means and Senate Finance Committees that described the proposed accelerated tariff elimination and summarized the advice received from the ITC and the private sector advisory groups.

This concludes the fourth NAFTA tariff acceleration exercise; results of the first three rounds were implemented in 1997, 1998, and 2000. In addition to the accelerated tariff eliminations, the 9th annual tariff reductions are also effective on January 1.