



# NAFTA Facts

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## NAFTA: An Annual Tax Cut and Income Gain for American Families

### The Bottom Line: NAFTA provides an annual tax cut and income gain

- Households enjoy higher income from both an increase in the national income as well as a reduction in taxes resulting from the NAFTA. The following are the annual benefits:
  - NAFTA = \$350 to \$930 in annual benefits per average family of four.

### NAFTA Raises GDP and Income

- A number of formal mathematical studies of the North American Free Trade Agreement found that the NAFTA, when fully implemented, would raise U.S. GDP by between 0.1% and 0.5%.<sup>1</sup> Relative to the size of the economy in 2000, these estimates suggest an income gain of between \$10 billion and \$50 billion. Per an average household of four, this translates into a per year income gain of \$140 to \$720.
- These studies of NAFTA benefits understate the gains from trade because of high product aggregation, incomplete accounting of the growth effects of trade and the inability to measure the effects of many non-tariff measures, rules changes and trade in services.

### NAFTA lowers prices<sup>2</sup>

- NAFTA/CFTA (U.S.-Canada Free Trade Agreement): Had NAFTA/CFTA tariff rates been applied to 1999 U.S. imports, duty collections would have an estimated \$ 14.2 billion higher. The NAFTA/CFTA tariff cuts were thus similar to a \$210 tax cut for an average household of four.

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<sup>1</sup>President's Report on the three year review of NAFTA, "Study on the Operation and Effects of the North American Free Trade Agreement" July 1997. This report reviews many studies including USITC Publication, "Economy-wide Modeling of the Economic Implications of an FTA with Mexico and a NAFTA with Canada and Mexico," May 1992.

<sup>2</sup>For both Uruguay Round and NAFTA calculations: Internal USTR calculation comparing pre- and post- tariff rates for Uruguay Round as reported by the World Bank in "The Uruguay Round Statistics on Tariff Concessions Given and Received," J. Michael Finger, Merlinda D. Ingco, and Ulrich Reincke. Tariff rates were applied to relevant volumes of trade in 1999.