TRADE AND COMPETITIVENESS IN NORTH AMERICA

A FOCUS ON THE CALI BAJA MEGA-REGION
The North American Free Trade Agreement (NAFTA) was enacted on January 1, 1994, and was the first reciprocal agreement of its kind between industrial and developing countries. Broadly, the agreement sought to lower trade barriers and increase trade and investment between the United States, Canada, and Mexico.

This summary uses available data to analyze and illuminate how NAFTA has heightened economic competitiveness across North America and spurred growth in Cali Baja’s innovation economy, making it one of the most beneficial and significant trade agreements in history.
With the rise of global value chains, cities that are highly specialized in specific industries have been able to leverage free trade to increase local and global growth. The Cali Baja mega-region’s combined comparative advantages on both sides of the border have allowed it to emerge as a global hub for high-tech research and development and advanced manufacturing.

A medical device or automobile may cross the border multiple times before it is finished. This trade in intermediate inputs means that 40 percent of U.S. imports from Mexico are American-made (compared to 4 percent of U.S. imports from China).

The economies of San Diego, Imperial, and Baja California are complementary, relying on one another to supply labor. In the U.S., nearly 87 percent of manufacturing job losses from 2000 to 2010 were caused by productivity increases as opposed to the relocation of jobs attributed to trade.

The Cali Baja mega-region includes San Diego County, Imperial County, and the State of Baja California. It is a globally unique binational region that offers one of the world’s most competitive and innovative business environments by leveraging complementary resources and capabilities.

TRADE & PRODUCTION  We Make Things Together

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TRADE & MANUFACTURING  Jobs Know No Borders

Cali Baja’s manufacturing sector has emerged as one of the world’s strongest cross border supply chains. The competitive advantage resulting from this integrated, co-producing sector fuels the innovation economy and fosters competitiveness, all while supporting high-paying jobs on both sides of the border.

Cali Baja specializes in advanced manufacturing, producing many high-value goods, including medical devices, semiconductors, aerospace parts, and audio and video equipment.

If Baja California were a country, it would be San Diego’s second largest trading partner.
Against the backdrop of rapid changes in global production, Cali Baja must identify and maintain the sources of its competitiveness in the 21st century innovation economy. Cross border production sharing has made North America more integrated, more resilient, and more competitive; it has also served to insulate our economies from other global competitors, such as China. By 2020, however, more than half of all U.S. exports will be in services, not goods.

The future of North American trade is not about avocados and dairy, or even automobiles and medical devices, but about the ways in which high value services cross borders, and the framework for IP protection, data transfer and privacy, and sustainability that will govern and secure tomorrow’s global economy.

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**Note:** Data reflects 2013, the most recent available for Baja California.
KEY TAKEAWAYS

FREE TRADE BOOSTS JOBS AND STRENGTHENS NORTH AMERICA'S ECONOMY

Nearly $3.6 billion in trade occurs daily between the U.S., Canada, and Mexico, and 14 million jobs in the U.S. are supported by North American trade.

WE DEPEND ON EACH OTHER

Mexico is California's largest export market, with annual exports totaling $26.8 billion. Today, trade with Mexico supports more than 566,000 jobs in California.

WE MAKE THINGS TOGETHER

The Cali Baja mega-region is globally competitive because of the complementary nature of our economies. In fact, the mega-region's co-producing manufacturing supply chain accounts for $2.5 billion in trade.

WE SPECIALIZE IN HIGH-VALUE GOODS AND SERVICES

Globally recognized as a leader in advanced manufacturing, Cali Baja produces commodities including medical devices, semiconductors, aerospace parts, and audio and video equipment. Together, the mega-region's manufacturing sector directly employs 418,300 workers.

HIGH-VALUE SERVICES ARE THE FUTURE OF TRADE IN NORTH AMERICA

Today, more than 51 percent of total trade within the Cali Baja mega-region is in the service sector. Establishing a robust framework for IP protections, data transfer, and privacy will be essential in ensuring that North America remains competitive in the global economy.