



THE CARTER CENTER
OF EMORY UNIVERSITY

THE NORTH AMERICAN FREE
TRADE AGREEMENT
WHAT'S IN IT FOR GEORGIA?

Michael J. Discenza, Jr.

Foreword by Dr. Robert A. Pastor

Working Paper Series

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FOREWORD

Robert A. Pastor

The debate on whether the United States should approve the North American Free Trade Agreement (NAFTA) has stirred passions, fears and, to a lesser degree, hopes throughout the United States. Each Senator and member of Congress has had to examine the agreement from two perspectives: whether it is good for the nation and whether it is good for the representative's district or state.

From these two perspectives, many questions have been raised. What will be the effect on each state? Will the United States gain or lose jobs? Will the environment worsen as a result of freer trade, or does NAFTA offer an opportunity for the three governments of North America to strengthen their environmental standards? Is Mexico democratic, and if it isn't, should the United States enter into an integration agreement with a nation that is not democratic and whose level of development is much lower than that of the United States? Will NAFTA be a stumbling block that will impede global trade negotiations, or a building block on which a better world trading system could be built?

In the Latin American and Caribbean Program of the Carter Center of Emory University, we have tried to address each of these questions. Students and faculty have helped in every stage of the research. This monograph focuses on the impact of NAFTA on Georgia and the southeast. Appendix A provides case studies of how some Georgia firms anticipate being affected by NAFTA. Appendix B provides a brief bibliography on NAFTA, and Appendix C, a bibliography on the Carter Center's research on these issues. Let me first summarize some of our research on the national issues related to NAFTA, then mention our work on the electoral process in Mexico, and finally summarize some of the key points of this monograph and the case studies on the impact of NAFTA on Georgia.

National, Hemispheric, and Global Implications of NAFTA. Signed by the leaders of the three countries of North America on December 17, 1992, NAFTA aims to reduce the trade and investment barriers within North America in fifteen years. By doing so, it will create the largest, most populous market in the world. Although there is no consensus on the various issues related to NAFTA, most studies conclude that NAFTA will benefit all three nations, but not all equally. Nor will all groups or areas in the three nations benefit. Consumers will benefit from higher quality, less expensive goods. Some producers will gain; others that fail to adapt may lose businesses and jobs to more competitive firms.

Each of the three countries of North America have a comparative advantage, which makes trade mutually beneficial. Some businesses will choose to locate in Mexico because of lower wages there, just as many more companies have relocated during the last two decades to Asia. But unlike Asia, whose exports to the United States have grown exponentially but whose imports have not kept pace, Mexico purchases 70-80 percent of its imports from the United States.

Investment in Mexico is not a zero-sum proposition for the United States; it has stimulated more exports from the United States. Moreover, NAFTA's purpose is to reduce trade barriers, and since Mexico's walls are, on average, nearly three times higher than those of the United States, U.S. firms will naturally benefit more from their elimination. Up until the late 1980s when Mexico began to lower its trade barriers, U.S. companies invested in "maquiladoras," assembly plants, and often had to comply with stringent labor-content rules that required purchases of local inputs and exports of a fixed share of their product. NAFTA changes these rules; companies will be allowed to purchase more from the United States and sell more to the Mexican market.

Moreover, the continental market that would be created by NAFTA will probably increase foreign investment in all three countries. As foreign investors look at the entire region, many will choose to put their plants in the country that has the largest market and the highest labor productivity. Already, as BMW, Toyota, Honda, and Mercedes-Benz contemplated the North American market, they decided that the best location for building new cars was the southern part of North America - north of Mexico.

If NAFTA is approved, Presidents Clinton and Salinas have promised to negotiate a broader Western Hemisphere Trade Area with nations from Latin America and the Caribbean. Such a hemispheric trade area will double the population of NAFTA and create a powerful counter-balance to the European Community. With Japan and Europe more dependent on the U.S. market than the United States is on their's, NAFTA may encourage these other governments to make the tough trade decisions at home that will permit the completion of the Uruguay Round of Trade Negotiations in Geneva. In brief, NAFTA offers the United States, the hemisphere, and the world a chance to invigorate world trade as an engine for growth.

Democracy in Mexico and NAFTA. Our program has substantial experience on the issues of democratization in the hemisphere, and we have been particularly engaged in the case of Mexico. Simultaneous with the publication of this paper, we are issuing a monograph on "Electoral Reform in Mexico," which evaluates the recent election laws adopted by the Mexican Congress. Briefly, our report concludes that the electoral reforms represent positive steps toward cleaner and fairer elections than Mexico has ever had before, but as a whole, the reforms fall short of establishing a foundation that would give the people and all the political parties of Mexico confidence that a genuinely free and fair election will occur in August 1994.

The "Electoral Reform" report deals only with election issues, but let me address here the question of the relationship between NAFTA and democracy in Mexico. There are some who argue that the United States should not have a free trade agreement with a government like that of Mexico which is not free. There are human rights problems and genuine concerns about the lack of democratic process and rule of law in Mexico. In our report, we document the election-related problems in considerable detail. **The issue, however, is the likely effect of approval or rejection of NAFTA on the prospects for political liberalization in Mexico. In my judgment, the economic opening of Mexico - which NAFTA embodies and consolidates - increases the cost of electoral manipulation and thus increases the prospects for democratization.**

NAFTA and Georgia. In early 1993, under my supervision and that of Dr. Jeffrey Rosensweig, Emory Business School Professor and International Economist, Mr. Michael Discenza, Jr., a Carter Center Research Assistant and M.B.A. from Emory University's Business School, began a study of NAFTA's effects on Georgia and the southeast. Research data was compiled by Kjersten Walker and Ashley Leeds. Tamara Markowitz, a graduate student in Business at Emory University, organized a team of business school students to interview managers of Georgia firms on the impact of NAFTA. The team included Paige Bingham, Michael Dillon, Noel Schmidt, Tracey Sheffield, and Cynthia Terdiman. The team selected firms from industrial sectors that are expected to do well as a result of NAFTA and firms in industries that are expected to feel the effects of increased competition from Mexico. The team then interviewed the managers of these companies and wrote the case studies.

Studies have assessed the impact on Texas, Florida, and California. In this monograph, Michael Discenza assessed whether the agreement is good for Georgia. The answer is affirmative.

Although Georgia's economy has been long identified with its cotton, peaches, and peanuts, today, the entire agricultural and forestry industries account for less than 2 percent of the state's product and 1 percent of its jobs. As Atlanta became the transportation "hub" of the Southeast, the state's economic base shifted. Today, the service and manufacturing sectors account for about 40 percent of the state's product and jobs. The more modern jobs have not only increased in number but also in wages. These have attracted immigrants from the north and elsewhere. In the 1980s alone, Georgia's population increased twice as fast as that of the United States, and its economy leaped ahead faster than most of the rest of the nation as well. In 1992, Georgia's population grew fastest in the South and 10th fastest in the nation.

Since the late 1970s, Georgia's exports have grown as a percentage of the economy, although trade remains relatively small for the state - with exports amounting to about 5 percent of the economy in 1989. As with 48 of 50 states, Georgia's trade with Mexico has expanded very rapidly in the last decade. **From 1987-1992, Mexico became Georgia's 3rd largest trading partner after Canada and Japan. And Georgia's exports to Mexico increased from \$108 million to \$463 million, or 328 percent. This was more than twice the rate of growth (126 percent) of Georgia's exports to the world during this period.**

In brief, even before NAFTA, Mexico's economic importance to the state of Georgia has more than tripled. The growth in Georgia's exports to Mexico and Canada in the last five years stimulated the creation of nearly 20,000 jobs in the state. Moreover, 90 percent of Georgia's exports are manufactured goods, and the top exports are all in high-wage industries, including industrial machinery and computers, scientific instruments, transportation equipment, chemicals, and paper products. The textile industry has also benefitted from exports to Mexico.

The fourteen case studies (Appendix A) represent two sets of companies - those on the cutting edge of export growth and those in more traditional areas like textiles and yarn. We found several things. First, Georgia's "new" exporters have just begun to discover the Mexican

market in the last few years as Mexico's tariff barriers have declined. For example, Atlanta Saw, a producer of meat cutting blades, had established a joint venture in Mexico to manufacture these blades because high tariff walls had kept the market closed to them. As the tariffs declined, Atlanta Saw increased its exports. If the walls come down with NAFTA, Atlanta Saw expects to close out its joint venture in Mexico, and export solely from Georgia.

Second, a number of technologically-based companies have begun to export to Mexico. Scientific Atlanta has already been successful in exporting broadband network systems to Mexico. The company anticipates much more rapid growth with NAFTA. Other companies that manufacture equipment and high-tech services expect to profit from NAFTA; these include Cantrell, a manufacturer of poultry processing equipment, Kemron Environmental Service, Micromeretics Institute, and Purfil. NALCO, a Fortune 500 chemical company, expects that its exports to Mexico will increase under NAFTA at a rate of 6-8% above what it expects if NAFTA fails.

In addition to these firms that are competing at the edge of innovation, we looked at firms in more traditional sectors. Crown America, a textile firm that specializes in carpet yarns, believes that NAFTA will not affect their business one way or the other. Greenwood Mills, a major textile firm, has maintained its level of production over the last twenty years, but only by reducing the number of its plants and sharply reducing its employment. Still, it exports 8-15 percent of its product and believes that NAFTA presents an opportunity for a growth in exports of 10-20 percent. Shaw Industries, the world's largest carpet manufacturer, expects to profit from NAFTA. Thomaston Mills, which manufactures home furnishings, expects to grow whether NAFTA is passed or not.

Agriculture was not involved in the survey, but it is well-known that peanut farmers are upset about Mexican competition. Less well-known, however, is that Mexico is currently a net importer of peanuts, and the U.S. is the major exporter of peanuts to Mexico. The U.S. peanut program has protected U.S. farmers from any competition behind a nearly impenetrable tariff and quota wall. A level playing field could lead to more competition, but Georgia farmers have their own comparative advantages. They are very productive; their investments, particularly in production and processing have become capital-intensive; and they have well-irrigated fields. Mexico's few irrigated areas are already producing other groups that earn the farmers better income than peanuts could. Mexican farmers are not very productive, and have much less capital for investment. In brief, Georgian peanut farmers should be able to compete despite the lower wages of Mexican labor.

The cases do not represent a scientific sample; nor are the expectations or projections beyond question. Still, these examples do offer some ideas as to the opportunities that a more open market in North America provide for entrepreneurial businesses.

The six states of the southeast have grown swiftly in the last two decades and now account for more than one-fifth of the nation's gross domestic product. It is this region that has

sustained the highest rate of growth of exports to Mexico, from \$636 million in 1987 to \$2.38 billion in 1992, a growth of 273%.

Overall, NAFTA is likely to have a positive effect on Georgia. Certain export industries are poised to take advantage of the new and important opportunities of reduced tariffs in Mexico. Competition from Mexican imports is unlikely to increase very quickly because U.S. tariff walls are already low, and Mexico does not have the productivity to compete yet in the U.S. market except in a few areas.

NAFTA has evoked both rampant fears and fervent hopes, but the new trade agreement is unlikely to justify either. While NAFTA will be positive for Georgia, the magnitude of its impact on the state will not be large because trade continues to represent a relatively small proportion of the state's product.

We are deeply grateful to Mrs. Joan Wurtele and to the ITOCHU Corporation for the support that permitted us to conduct this research.

November 1993
Atlanta, Georgia

Introduction: The Impact of NAFTA on Georgia

The North American Free Trade Agreement (NAFTA) will eliminate the tariff and non-tariff barriers between the United States, Mexico and Canada during a fifteen year period creating the largest unified market in the world. All three countries are expected to benefit in the long run in improved global competitiveness. Mexico is expected to benefit the most from NAFTA. The United States is likely to increase the amount of goods exported to Mexico under NAFTA. However, NAFTA's impact on particular workers in local economies remains widely disputed.

It seems clear that certain states and industries within the United States will be affected disproportionately. The state of Maine will not be as affected as border states such as Texas, and U.S. textile manufacturers are more likely to face Mexican competition whereas the U.S. aerospace industry will not be affected. NAFTA's impact on particular states and regions will depend largely on a combination of factors including geography, the structure of a particular state's economy, public policy initiatives at the state and federal level (i.e. education and worker retraining programs) and the way local businesses respond to new competitive pressures.

This monograph aims to analyze the effect of the North American Free Trade Agreement on Georgia. Georgia has expanded trade with Mexico in recent years, increasing exports to Mexico by 328% since 1987.¹ But a much deeper analysis is necessary to determine the overall impact that NAFTA could have on Georgia. After a brief discussion of the expected national effects of NAFTA, I will answer the following questions in this paper: What is the overall structure of the Georgia economy? How important is trade to Georgia and other Southeastern states' economies? What are the key export sectors in Georgia? Do Georgia exports support high-wage or low-wage industries? The cumulative answers to these questions will help us to understand how the North American Free Trade Agreement will affect Georgia.

I. National Effects of NAFTA

In December 1992, leaders from the United States, Canada and Mexico signed the North American Free Trade Agreement (NAFTA), which is designed to eventually eliminate trade and investment barriers within North America. In accordance with Congressional "fast-track" provisions, NAFTA is expected to go into effect January 1, 1994. NAFTA would implement President Clinton's vision of economic growth through free trade and will make America more globally competitive. It links the United States with our 1st- and 3rd-largest trading partners, creating the largest and richest unified market in the world, with more than 360 million consumers and a gross product over \$6.4 trillion.²

The U.S. has been the world's largest exporter for decades, and since the late 1980s, U.S. export growth has been dramatic. A steadily weaker dollar, productivity increases, quality improvements in American goods, and trade liberalization abroad have largely driven this growth. As Table 1 illustrates, the U.S. has experienced strong growth in trade with our North American neighbors since 1987:

TABLE 1: United States Trade with North American Neighbors

United States Exports to	1987 (\$Mil)	1992 (\$Mil)	Growth Rate (%)	'92 Trade Balance (\$Mil)
Canada	59,814	90,157	50.7%	-11,135
Mexico	14,582	40,597	178.4%	6,800
World	246,436	448,100	82.8%	-105,888

Sources: International Monetary Fund, *Direction of Trade Statistics*, 1993; U.S. Department of Commerce, International Trade Administration, 1993; and Massachusetts Institute of Social and Economic Research (MISER), 1993.

Since 1987, America's trade with Canada has increased by more than 50%. Even more promising is that American exports to Mexico have increased by 178.4% since 1987. That is more than double the growth rate (82.8%) of total U.S. exports to the world since 1987. At a time when the U.S. is running a trade deficit of more than \$100 billion with the rest of the world, a \$6.8 billion trade surplus with Mexico is welcome news. Mexico is already our second largest market for manufacturing exports and the third largest market for U.S. farm exports.³ Another striking fact is that Mexico imported \$451 from the U.S. per capita in 1992 even though it is still classified as a developing country. That is more than the \$386 for Japan and \$297 that the European Community imported per capita from the U.S. in 1992.⁴

This dramatic growth in U.S. exports to Mexico is due in large part to the economic reforms that Mexican President Carlos Salinas de Gortari has implemented since 1988. Mexican tariffs on imports from the U.S. have been decreasing, but still average 10% compared with a 4% average tariff for the U.S.⁵ Salinas slashed inflation from over 100% to under 10%, reduced public debt, revitalized the stock market and relaxed rules on foreign investment.

Both tariff and non-tariff barriers on both sides of the border will disappear over a fifteen year period under NAFTA. For sensitive industries like agriculture, petroleum, automobiles and financial services, the barriers will gradually be phased out during the next decade. Because the U.S. market is largely already open to Mexican goods, the NAFTA will have less effect on imports from Mexico than it will have on U.S. exports to Mexico.

Manufactured products account for nearly 90% of U.S. exports to Mexico.⁶ U.S. consumer goods are also penetrating the expanding Mexican consumer market: U.S. exports of consumer goods to Mexico have quadrupled from \$1.1 billion in 1987 to \$4.4 billion in 1992.⁷ Consumer goods are likely to account for a growing percentage of total U.S. exports to Mexico as average Mexican wages increase.

Success in the global marketplace of the 1990s is determined less and less by the traditional sources of competitive advantage: low wages and abundant natural resources. Rather, competition is increasingly shaped by strategic alliances both on a corporate level (i.e. Chrysler and Mitsubishi) and an international level (i.e. the European Community). Formed in response to the increasingly global nature of competition, NAFTA is the newest international strategic alliance.

The three North American countries are already exhibiting signs of increasing interdependence. The Canadian and Mexican markets now account for nearly 30% of total U.S. exports. Perhaps even more striking is that over 70% of Canadian and Mexican trade is with the United States.⁸ And all of this has occurred in advance of a North American Free Trade Agreement. So the need to manage this rapid process of interdependence becomes apparent. NAFTA is the critical first step in that process.

There are also costs to free trade. Because trade agreements affect where companies produce they ultimately affect where people work, not just how many people work. This has become the crucial point in the debate over whether NAFTA is "good or bad for America," not only on a national level, but on a regional and state level as well. Despite Ross Perot's prediction of "a giant sucking sound" as U.S. jobs are relocated to Mexico, history tells a different story. On balance, freer trade does create jobs. The U.S. Department of Commerce predicts that 20,000 new U.S. jobs are created for every one billion dollars of U.S. exports.⁹ The question is how many and what type of jobs will be created and lost under NAFTA?

According to the U.S. International Trade Commission, "academic studies show a surprising degree of unanimity in predicting **net U.S. job creation and wage gains from NAFTA.**"¹⁰ Already, U.S. exports to Canada support 1.5 million U.S. jobs and since Mexico began opening its market in 1986, more than 400,000 export-related jobs have been created in the U.S.¹¹ Today, **U.S. exports to Mexico support more than 700,000 American jobs**, which the Institute for International Economics predicts could swell by another 300,000 by 1995 under NAFTA.¹²

Moreover, **the U.S. jobs gained from increased exports to Mexico are high paying;** jobs related to exports to Mexico average 12% more than the average wage for all jobs.¹³ Despite fears that U.S. wages will be dragged down in order to compete with lower Mexican wages, one study found that the U.S. wage rate will actually increase from between 0.01% to 0.10% under NAFTA.¹⁴

A Mexican economy strengthened by greater U.S. investment will boost economic growth in the U.S. Why? The unique combination of almost 90 million people, geographic proximity, a strong economy (including a government budget surplus and inflation near 8%), and a huge appetite for American imports ensures that a united North American market will be able to compete more effectively with Japan and the European Community into the 21st century.

What will be the fate of certain industries where the United States does not have a comparative advantage vis-a-vis Mexico? The U.S. may lose some jobs in labor-intensive industries such as apparel, auto and glass manufacturing. The Economic Policy Institute estimates that 55,000 U.S. jobs could be lost within ten years as a result of NAFTA.¹⁵ Alternatively, the Congressional Budget Office estimates that over 10 years, "NAFTA would add fewer than 500,000 to the 20 million workers who'll be displaced for other reasons."¹⁶

However, overall U.S. unemployment is not expected to change. **With or without NAFTA, the U.S. unemployment rate is expected to remain around 6% once the economy recovers.**¹⁷ Besides, if cheap labor were the only variable considered in deciding where a company locates production, Haiti and Somalia would be world manufacturing powers. Obviously, this is not the case. The fact is that a unified North America holds a competitive advantage in its combination of location, skilled workers, distribution, transportation, infrastructure, communications and soon, a free trade agreement.

On the sensitive issue of environmental degradation, Mexico historically has had more lax environmental regulations than the United States or Canada. But the Mexican government has made significant improvements in environmental regulation and enforcement since 1990. Additionally, the concern that companies will shift production to Mexico to capitalize on less stringent environmental regulation does not reflect the fact that few firms face environmental compliance costs larger than 1% of totals costs, which alone is too small to warrant such a decision.¹⁸

Consider also the fate of the maquiladora industry, whereby U.S. companies have built factories just over the Mexican border to utilize cheap Mexican labor and, some say, escape strict U.S. environmental legislation. With NAFTA, there will be little incentive to keep plants on the border. Many facilities will move to the interior of the country where there is less pollution, better infrastructure and a more reliable work force. NAFTA may actually benefit the environment along the border in the long run by making the maquiladoras obsolete.

These are some of the likely national effects of the North American Free Trade Agreement: **net job creation, wage increases, and a heightened awareness of cross-border environmental issues.** But much of the debate concerning NAFTA is focused on how the agreement will effect various industries and geographic regions within the United States.

II. The Georgia Economy

For well over a century, agriculture was the cornerstone of Georgia's economy. Cotton, peaches and peanuts were the cash crops that originally brought people and business to the "capital of the Southeast." Georgia's economy has more recently concentrated on a combination of natural resources (agriculture, forest products, kaolin) and low wages (in the apparel, textiles and food processing industries) as its competitive advantage.

During the past four decades, the state's economy has become substantially less dependent on agriculture and much more diversified. As transportation and communications improved during the 1960s and 1970s, the region began to industrialize, and increasingly higher-wage manufacturing operations were established in Georgia. In order to hasten this process, Governor Zell Miller's Development Council is now "pushing for a sea change in the goals of economic development: shunning labor-intensive industries (that demand) low-skilled workers in favor of companies that need highly skilled, higher-paid workers." ¹⁹

During the 1980s, Georgia experienced significant population and economic growth. The population of Georgia grew 18.2%, from 5.5 million in 1980 to 6.5 million in 1990. In comparison, the population growth for the United States during the same period was 9.8%.²⁰ Georgia income per capita more than doubled, growing from \$8,348 in 1980 to \$17,364 in 1991 (or 108%), while U.S. income per capita increased from \$9,919 to \$19,082 (or 92%) during the same period. ²¹

However, when the recession deepened nationwide in 1990 and 1991, Georgia was not immune. According to the Selig Center for Economic Growth at The University of Georgia, on a net basis the state lost 49,400 jobs in 1991 and recouped only 6,900 in 1992. **Georgia is expected to add 26,800 new jobs in 1993**, but the rapid job creation prevalent during the 1980s is not likely to be seen until 1994 at the earliest. ²²

The Georgia Department of Labor projects that **total employment will increase by more than 814,000 jobs between 1990 and 2005.** The Big Gainers: Cashiers +30,953; Secretaries +24,596; Top Managers (executives) +24,194 . . . The Big Losers: Garment Sewers -6,728; Textile Machine Operators -6,356; Farm Workers -5,223. ²³ This indicates that Georgia's traditional economic engine that once fed on agriculture and textiles is gradually being replaced by the service and higher-wage manufacturing sectors.

Atlanta, long the population and cultural center of Georgia, has also been the locus of economic growth. 1991 per capita income in the Atlanta metropolitan area, which ranged from \$19,091 to \$23,715, was above the national average for the same year. ²⁴ Playing host to the 1996 Olympics will have a tremendous "multiplier effect" on the area and certainly has already attracted new residents and businesses.

The Atlanta Regional Commission predicts that the surge in job creation during 1993 will be sustained until 2005, pumping an average of 70,500 new jobs into the 10-county region, but Georgia State University economist Donald Ratajczak expects job growth at a more conservative rate of 50,000-55,000 after this year's boom. ²⁵ "The region lost 26,000 jobs during the recession of 1991... Since then, however, **Atlanta's service sector has been the driving force in the economy**, creating 10,900 of the 13,000 new jobs between April 1991 and April 1992." ²⁶

Rural Georgia did not share in the economic boom experienced by the Atlanta area during the 1980s. Severe income disparities still exist across the state. Average personal income in 62 of Georgia's 155 counties is less than the \$13,318 income per capita for the poorest state in the nation, Mississippi. ²⁷ The primary reason for the poverty, the study found, was the low levels of education in the poorer counties: 9% of adults had a bachelor's degree in the poorest counties, compared with 31% in the richest counties. ²⁸

Georgia's overall economic structure must be analyzed in order to better ascertain the impact of the North American Free Trade Agreement. Table 2 shows the composition of Georgia's economy according to recent Gross State Product (GSP) data, the number and percentage of total Georgia employment working in those sectors, and the average weekly wages earned by employees in each sector. GSP is the market value of the goods and services produced by labor and property located in a state and is the state counterpart to the nation's Gross Domestic Product (GDP).

The most current GSP data for Georgia is from 1989, while the employment and wage figures are from 1992. Although it is not statistically correct to compare data separated by three years, for the purposes of this paper the assumption has been made that current Georgia GSP does not differ significantly from 1989 data. To place the GSP data in some context, Georgia's 1989 total GSP was \$129,776 million compared with \$5,164,671 million GDP for the U.S. during the same year. Stated differently, Georgia contributed 2.51% to total U.S. GDP in 1989. ²⁹

TABLE 2: The Georgia Economy - Ranked by Sector's % of Total GA Employment

Sector	1989 Gross State Product (\$Mil)	(%) '89 GSP	(1992) Georgia Employ- ment	(%) '92 Tot GA Emp	'92 Avg Wkly Wage (\$)
Services	21,158	16.3	606,422	21	438
Manufacturing	24,953	19.2	541,232	19	484
Federal, State & Local Government	16,351	12.6	523,430	18	448
Retail Trade	12,624	9.7	515,951	18	249
Wholesale Trade	11,595	8.9	210,806	7	643
Transportation & Public Utilities	14,158	10.9	186,586	6	686
Finance, Insurance, & Real Estate	19,776	15.2	159,238	6	609
Construction	5,999	4.6	118,346	4	430
Agriculture, Forest, & Fishing	2,475	1.9	27,600	1	283
Mining	688	0.5	7,468	<1	623
Misc Industries	0	0	2,019	<1	408
Totals	129,776	100	2,899,098	100	454

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, "Gross State Product, 1977-1989," December 1991; and Georgia Department of Industry & Trade, Georgia Manufacturing Directory, 1993-1994, 1993.

As a result of diversification away from agriculture and natural resources, manufacturing has become the largest sector of the Georgia economy, contributing 19.2% to Georgia's Gross State Product. Manufacturing also accounts for 19% of total Georgia employment. The Georgia manufacturing sector is divided almost evenly between the manufacture of durable (10.5%) and non-durable goods (8.7%).³⁰ The average weekly manufacturing wage is \$484 and, according to the Selig Center for Economic Growth, the manufacturing sector is expected to generate 2,400 new jobs in 1993.³¹ This is significant because the average weekly manufacturing wage in Georgia (\$484) is higher than the overall

average Georgia weekly wage of \$454. Because most Georgia exports to Mexico are manufactured goods and are thus most likely to be affected by NAFTA, a more detailed analysis of Georgia's Manufacturing sector is included in Table 11 below.

On the other hand, the services sector employs the largest percentage of Georgians (21%), has an average weekly wage of \$438, and contributes 16.3% of Georgia's Gross State Product. According to the Selig Center, the service sector will be the primary source of new jobs in Georgia, perhaps 15,600 in 1993. The outlook is excellent for health care, good for business services and temporary help agencies, and average for travel-dependent services.³² Because the service sector is the fastest growing of the Georgia economy, a closer analysis is also presented in Table 12 below.

The finance, insurance and real estate sectors contribute 15.2% to Georgia's Gross State Product, accounts for 6% of total Georgia employment and has an average weekly wage of \$609. While this is one of the highest wage sectors of the Georgia economy, the Selig Center predicts that employment will not expand appreciably during 1993.³³

The transportation and public utilities sector contributes 10.9% to Georgia's Gross State Product, accounts for 6% of total Georgia employment and has an average weekly wage of \$686. The Selig Center forecasts that this sector's employment will increase by 900 in 1993.³⁴

Though Georgia is often still thought of as an agricultural state, it is somewhat surprising to note that the agriculture, forestry & fishing sectors combined contribute only 1.9% to Georgia's Gross State Product, account for 1% of total Georgia employment and have an average weekly wage of \$283. As agriculture contributes less to Georgia's GSP, the state's economic future seems to increasingly depend on continued strength in the manufacturing and service sectors.

Table 3 reflects the average annual growth rate during the 1980s in Georgia's real gross state product for specific industries within the broader economic sectors. Overall, the Manufacturing sector grew by 4.4%, but a look at the detail reveals that durable manufacturing grew by 6.1% compared with 3.2% for Nondurable manufacturing. Industrial machinery was the strongest individual sector, growing by more than 13% per year. Also notable are the scientific equipment (7.7%) and electronic equipment (10.1%) sectors. Perhaps reflecting the intensity of foreign competition, textiles grew by 1.9% and apparel increased 1.0%. The Agriculture, Forestry and Fisheries sector as a whole grew 7.7%, while the farms sub-sector experienced growth of 7.8% during the 1980s.

TABLE 3: Annual Average Growth Rate in Georgia's Real GSP, 1980-1989

INDUSTRY	Average Annual GSP Growth 1980 - 1989	INDUSTRY	Average Annual GSP Growth 1980 - 1989
Private Industries	5.6	Trans, Comm, Util	6.0
Agriculture, Forest & Fisheries	7.7	<i>Transportation</i>	5.3
<i>Farms</i>	7.8	Rail Trans	4.5
<i>Ag Svcs-For & Fish</i>	7.5	Local Trans	1.9
<i>Mining</i>	5.0	Trucking	5.7
<i>Metal Mining</i>	0.0	Water Trans	-7.0
<i>Coal Mining</i>	0.0	Air Trans	5.2
<i>Oil & Gas</i>	-4.1	Pipelines	4.4
<i>Nonmetallic Minerals</i>	5.3	Trans Service	12.9
Construction	4.2	Communication	7.1
Manufacturing	4.4	Electric, Gas & Sanitary Svcs	6.0
<i>Durable Goods</i>	6.1	Wholesale Trade	7.0
Lumber & Wood	3.3	Retail Trade	6.1
Furniture & Fixtures	2.2	Finance, Insurance, Real Estate	5.3
Stone, Clay & Glass	4.2	<i>Banking</i>	2.6
Primary Metal	2.7	<i>Credit Agencies</i>	9.1
Fabricated Metal	4.4	<i>Holding Co's</i>	13.5
Industrial Mach	13.6	<i>Insurance Carriers</i>	-0.2
Electronic Equip	10.1	<i>Insurance Agents</i>	7.0
Motor Vehicles	1.4	<i>Real Estate</i>	5.7
Trans Equipment	6.2	Services	6.3
Sci Instruments	7.7	<i>Hotels</i>	4.6
Misc Mfg	6.3	<i>Personal Services</i>	4.3
<i>Nondurable Mfg</i>	3.2	<i>Business Services</i>	10.3
Food Products	3.7	<i>Auto Repair</i>	3.2
Tobacco Mfg	-3.9	<i>Misc Repair</i>	2.0
Textile Products	1.9	<i>Motion Pictures</i>	9.5
Apparel	1.0	<i>Amusement</i>	8.4
Paper Products	4.4	<i>Health Services</i>	5.6
Printing & Pub	5.0	<i>Legal Services</i>	5.3
Chemicals	6.4	<i>Education Services</i>	4.2
Petroleum Prod	2.2	<i>Social Services</i>	2.8
Rubber & Plastic	6.3	<i>Misc Professional Services</i>	8.1
Leather Products	-2.2	<i>Private Hshlds</i>	3.5
Government	2.0		
<i>Federal Civilian</i>	1.6		
<i>Federal Military</i>	0.9		
<i>State & Local</i>	2.4	TOTAL GEORGIA GSP	5.1

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, Georgia Statistical Abstract, 1992-1993, 1993, pp.141-142 (Table 5.103).

III. Exports and The Georgia Economy

As investment started to move into Georgia during the 1950s, factories were built for a burgeoning U.S. market. A relatively small amount of Georgia's manufacturing production was shipped abroad: in 1950 Georgia exported \$54 million worth of goods to the world.³⁵ It was not until the 1960s and 1970s that Georgian manufacturers looked to international markets. Georgia's total exports reached \$501 million in 1970.³⁶

Since the late 1970s, exports have grown as a percentage of the Georgia economy, although it remains relatively small. As Table 4 shows, the percentage of GSP that derives from Georgia exports has grown from 3.50% in 1977 to 4.67% in 1989. This increase is due in part to the gradual economic restructuring that is taking place in Georgia. "Natural resource-based industries have provided good export opportunities in the past, but the low-wage advantages Georgia has historically offered domestic industries do not confer advantages in the world markets where wages are often much lower. These low-wage industries are the ones most likely to suffer, domestically and internationally, as world markets develop. Fortunately, Georgia's economy has grown increasingly diversified, and increases in the capital intensity of the textile industry for example are opening up new, more appealing, and competitive world markets for Georgia products."³⁷

TABLE 4: Georgia Total Exports and GSP (Gross State Product)

	1977	1982	1987	1988	1989
(\$Mil)					
GA Total Exports	1,419	2,605	3,977	4,889	6,055
GA GSP	40,504	66,793	113,098	122,717	129,776
GA Exports/GSP	3.50%	3.90%	3.52%	3.98%	4.67%

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, "Gross State Product for States by Industry, 1977-1989," December 1991; and U.S. Department of Commerce, International Trade Administration, "Georgia Exports," 1977 & 1984; and Massachusetts Institute for Social and Economic Research (MISER), 1993.

Another way to determine how significant exports are in a state's economy is to calculate the percentage of total goods manufactured that are exported, as well as the number of workers whose jobs are tied to those exports. Table 5 compares and contrasts these figures for Georgia, other Southeastern states and the United States during 1987, the latest year for which comparable data is available.

TABLE 5: Manufactured Exports and Related Employment, GA & Southeast-1987

	GA	AL	FL	NC	SC	US
Value Mfg Shipments (\$Mil)						
Total (a)	75,709	40,901	56,612	95,317	41,211	2,475,900
Direct Exports (b)	3,561	2,138	4,803	5,670	3,234	193,573
Supporting Exports (c)	4,157	3,693	3,991	6,595	3,357	185,223
Total Export Related (d)	7,718	5,832	8,794	12,266	6,591	378,796
Tot. Export Related as % of Total GA Exports	10.2	14.3	15.5	12.9	16.0	15.3
Mfg Employment (000s)						
Total (e)	567.5	348.5	498.2	841.5	366.2	18,900.1
Direct Export Related (f)	21.2	18.0	29.6	31.9	20.8	1,184.5
Supporting Exports (g)	32.7	24.0	48.1	55.0	27.3	1,586.1
Total Export Related (h)	53.9	42.0	77.7	86.9	48.1	2,770.6
Tot Export Related as (%) of Tot Employment	9.5	12.1	15.6	10.3	13.1	14.7

(a) Includes total domestic and export shipments for all manufacturing establishments.

(b) Includes only value of manufactured products exported by producing plants.

(c) Includes shipments of components, parts, supplies, etc. used by plants producing the export products. Supporting shipments were estimated for Bureau of Economic Analysis (BEA) input-output industries, allocated to states, and aggregated into state Standard Industrial Classification Code (SIC) totals.

(d) Total export related shipments are the sum of rows B and C.

(e) Includes employees of central administrative offices and auxiliaries (warehouses, garages, repair shops, etc.) serving operating manufacturing establishments.

(f) Employment is limited to paid employees in manufacturing plants producing the export products. Number of employees related to export shipments was calculated for each establishment, aggregated by industry and by states, and inflated to a level comparable to the plant value of exports reported in official foreign trade statistics at port value.

(g) Manufacturing employment at establishments producing components, parts, supplies, etc., for use by plants producing for export. Employment was estimated for BEA input-output industries, allocated to states, and aggregated into state SIC totals. This column also includes an estimate of 204.9 thousand employees in central administrative offices and auxiliary units that service manufacturing establishments.

(h) Employment totals shown are the sum of direct export related and supporting exports.

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, Georgia Statistical Abstract, 1992-1993, 1993, p. 319 (Table 11.140).

While Georgia was second only to North Carolina in terms of dollar value of goods manufactured, Georgia lagged behind all other Southeastern states and the U.S. in terms of percentage of goods manufactured that were exported in 1987 (i.e. 10.2% for Georgia, 16.0% for South Carolina and 15.3% for the U.S.). The same trend holds when the percentage of total state employment related to exports is examined: 9.5% for Georgia, 15.6% for Florida and 14.7% for the United States.

Table 6 reveals a more detailed analysis of the Georgia manufacturing sector as it pertains to exports and jobs supporting those exports. It shows, on an industry-by-industry basis, the total amount of manufactured shipments and the number of workers employed, the amount of manufactured shipments exported (both direct and supporting), the number of employees involved, and the percentage of export related shipments as well as percentage of total employment involved in exporting for 1987.

Thus, the three most export-intensive industries in Georgia are the following: Primary Metal Industries (28.3% of total production exported with 27.5% of total employment in the industry tied to exports), Paper Products (19.1% of total production exported with 17% of total employment in the industry tied to exports), and Electronic Equipment (15.8% of total production exported with 18.3% of total employment in the industry tied to exports).

A more recent study found that the Georgia industries with the highest export intensities for 1991 were: Apparel (31.5% of production exported), Instruments (31.5% of production exported), Industrial Machinery (25.4% of production exported), Transportation Equipment (10.1% of production exported), and Electrical Equipment (9.8% of production exported).³⁸

In order to predict the impact of NAFTA on Georgia, the state's export markets must first be identified. Traditionally, most Georgia (and U.S.) exports were shipped to Western Europe. A recent study analyzed the impact that this trade had on the U.S. economy on a state-by-state basis and found that, in 1992, U.S. exports to western Europe totaled \$115 billion (or 26% of total U.S. exports) and supported 2 million jobs in the United States.³⁹ **Additionally, Georgia's \$2.2 billion in 1992 exports to Western Europe (or 24% of total Georgia exports) supported 39,200 Georgia jobs, or 1.3% of total state employment:** Among Southeastern states this was second only to the 67,900 jobs (2.0% of total state employment) supported in North Carolina by exports to Europe.⁴⁰

As shown in Table 1, U.S. trade with Mexico is growing faster than U.S. trade with the rest of the world. **48 out of 50 U.S. states increased exports to Mexico from 1986 to 1992, many increasing shipments to Mexico by several hundred percent.**⁴¹ New American jobs have been created in order to support exports to this previously 'unopened' and rapidly growing market. In Michigan, for example, 31,000 jobs now depend on exports to Mexico as shipments to Mexico rose 32% from 1987 to 1992.⁴²

TABLE 6: Georgia Manufactured Exports and Related Employment, 1987

Industry	Total (a)	Direct Exports (b)	Supporting Exports (c)	Total Export Related (d)	Tot Exp Related as % of Total Shipments
Mfg Shipments (\$Mil)					
Food & Kindred Prod	9,379	282.8	158.2	441.0	4.7
Apparel & Textile Prod	3,762	91.4	39.8	131.2	3.5
Lumber & Wood	2,968	48.8	149.7	198.5	6.7
Furniture & Fixtures	934	12.2	13.7	25.9	2.8
Paper Prod	6,336	550.0	660.7	1,210.7	19.1
Printing & Publishing	2,622	9.5	108.3	117.8	4.5
Chemicals	5,162	345.1	356.1	701.2	13.6
Rubber & Plastic Prod	1,741	41.4	186.4	227.8	13.1
Stone, Clay & Glass Prod	2,135	39.5	117.4	156.9	7.3
Primary Metal Industries	2,328	66.2	591.6	657.8	28.3
Fabricated Metal Prod	2,400	37.9	206.0	243.9	10.2
Industrial Mach & Equip	2,671	225.8	191.8	417.6	15.6
Elect Equip	4,568	249.7	473.3	723.0	15.8
Transp Equip	11,673	700.3	366.3	1,066.6	9.1
Scientific Instruments	795	60.0	29.0	89.0	11.2
Misc Mfg	624	28.8	19.5	48.3	7.7
Manufacturing Employment (000s)					
Food Products	52.8	1.6	0.7	2.3	4.4
Apparel & Textile Prod	70.3	0.4	0.6	1.0	1.4
Lumber & Wood	29.6	1.5	1.6	3.1	10.5
Furniture & Fixtures	12.2	0.1	0.2	0.3	2.5
Paper Prod	28.8	1.9	3.0	4.9	17.0
Printing & Publishing	31.9	0.1	1.3	1.3	4.1
Chemicals	18.4	1.0	1.2	2.2	12.0

Industry	Total (a)	Direct Exports (b)	Supporting Exports (c)	Total Export Related (d)	Tot Exp Related as % of Total Shipments
Rubber & Plastic Prod	15.5	0.3	1.6	1.9	12.3
Stone, Clay & Glass Prod	18.8	0.3	0.9	1.2	6.4
Primary Metal Industries	12.0	0.3	3.0	3.3	27.5
Fabricated Metal Prod	22.1	0.4	2.1	2.5	11.3
Indus Mach	25.6	2.0	2.2	4.2	16.4
Elect Equip	28.9	1.8	3.5	5.3	18.3
Trans Equip	52.7	4.3	1.8	6.1	11.6
Scient Instr	8.4	0.5	0.3	0.8	9.5
Misc Mfg	7.2	0.1	0.2	0.3	4.2
Auxiliaries	28.2	--	3.7	3.7	13.1

(a) Includes total domestic and export shipments for all manufacturing establishments.

(b) Includes only value of manufactured products exported by producing plants.

(c) Includes shipments of components, parts, supplies, etc., used by plants producing the export products. Supporting shipments were estimated for Bureau of Economic Analysis (BEA) input-output industries, allocated to states, and aggregated into state Standard Industrial Classification (SIC) totals.

(d) Total export shipments are the sum of all direct exports and supporting exports.

(e) Includes employees of central administrative offices and auxiliaries (warehouses, garages, repair shops, etc.) serving the operating manufacturing establishments.

(f) Employment is limited to paid employees in manufacturing plants producing export products. Number of employees related to export shipments was calculated for each establishment, aggregated by industry and by states, and inflated to a level comparable to the plant value of exports reported in official foreign trade statistics at port value.

(g) Manufactured employment at establishments producing components, parts, supplies, etc., for use by plants producing for export. Employment was estimated for BEA input-output industries, allocated to states, and aggregated into state SIC totals. This column also includes an estimate of 204.9 thousand employees in central administrative offices and auxiliary units that service manufacturing establishments.

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, Georgia Statistical Abstract, 1992-1993, 1993, p. 321 (Table 11.142).

Trade between Georgia and Mexico has traditionally lagged behind states such as Texas and California for obvious geographical reasons. However, some encouraging trends have developed since the late 1980s. Table 7 shows that Georgia exports to Mexico have increased dramatically since 1987:

TABLE 7: Georgia Exports to North American Neighbors, 1987 & 1992

Georgia Exports to:	1987 (\$000)	1992 (\$000)	Growth Rate (%)
Canada	634,570	1,579,921	148.9%
Mexico	108,097	463,503	328.8%
World	3,977,050	8,999,647	126.3%

Source: U.S. Department of Commerce, International Trade Administration, "U.S. Exports to Mexico: A State-By-State Overview, 1987 & 1992," April 1993.

Georgia's exports to Mexico have grown from \$108 million in 1987 to \$464 million in 1992. This represents a growth rate of 328.8%, one of the top ten growth rates among all U.S. states during the period and is the second fastest growth rate in the Southeast, second only to North Carolina's 364.9%.⁴³ (See Section VIII: Gross State Product and Exports - Georgia and the Southeast) To put these figures in some perspective, the entire nation of Canada exported \$2,200 million worth of goods to Mexico in 1992.⁴⁴ Georgia exports to Canada increased by 148.9% during the same period, still faster than the growth in Georgia's world exports.

Reflecting the state's increased export activity, Georgia's share of total U.S. exports to Mexico has grown from 0.74% in 1987 to 1.14% in 1992. While this is a significant increase for Georgia, it shows that there is still much room for local businesses to focus on the Mexican market as a source of export revenue. To that end, Governor Miller and the Georgia Department of Industry, Trade and Tourism recently opened a trade office in Mexico City in September 1993 (similar to offices already open in Europe and Asia) to help Georgia companies boost exports to Mexico.⁴⁵

It is somewhat surprising that Georgia does not export a larger percentage of total U.S. exports to Mexico given Georgia's geographic proximity. Although Georgia is proportionately less important to U.S. total exports to Mexico than might be expected from its size and location, Table 8 shows that **Mexico is ranked third among Georgia's 180 export markets (up from fourth in 1991), purchasing 5.15% of Georgia's exports.** The most important trading partner for Georgia is Canada, which imported 17.56% of Georgia's total 1992 exports, with Japan second at 10.88%.

TABLE 8: Georgia's Top Export Markets

Georgia Top 5 Export Markets	1992 Exports (\$000)	(%) of Total 1992 Exports
Canada	1,579,921	17.56%
Japan	979,326	10.88%
Mexico	463,502	5.15%
Germany	413,803	4.60%
United Kingdom	380,953	4.23%
Sum of Top 5	3,817,505	42.42%

Sources: U.S. Department of Commerce, International Trade Administration, 1993; and Massachusetts Institute for Social and Economic Research (MISER), 1993.

Georgia's combined exports to Mexico and Canada (\$2,043 million) accounted for 22.7% of the state's 1992 total exports. The U.S. Department of Commerce recently reported that 39,100 Georgia jobs are now supported by trade with Mexico and Canada; almost 60% of those jobs were created in the past five years since Mexico began liberalizing its import regime.⁴⁶ Alternatively, the U.S. Trade Representative estimates that at least **18,900 new jobs have been created by growth in Georgia's manufactured exports to Canada and Mexico since 1987.**⁴⁷

Perhaps the most interesting data is in the actual goods exported from Georgia. Table 9 provides a matrix of selected Georgia exports to the state's top five export markets based on 1991 trade data. Note that Canada imports \$247 million of textile products from Georgia, while the United Kingdom spends \$102 million on transportation equipment. Mexico imports a balance of both durable and non-durable goods from Georgia: \$39 million of Machinery and \$36 million of Transportation equipment, coupled with \$39 million of Chemicals and \$30 million of Paper products. Mexico only imported \$4 million worth of apparel products from Georgia in 1991, presumably because this is an industry where they are developing a competitive advantage.

TABLE 9: Georgia Exports By Industry and Destination - (\$Millions), 1991

	Food	Txt	Aprl	Pap	Chm	Mch	Ele	Trns	Inst	All
Can	37	247	16	81	85	166	124	406	35	1483
Jap	28	23	4	50	58	63	32	47	12	788
UK	6	29	4	30	39	41	33	102	25	354
Mex	9	29	4	30	39	39	19	36	49	348
Ger	4	13	2	93	7	67	42	41	14	322
All	255	577	162	727	592	851	482	1146	347	7049

Note: Data has been rounded to nearest whole number.

Source: Division of Applied Research, Small Business Development Center, Institute of Community and Area Development, The University of Georgia, Strengthening Community Economic Development in Georgia -Georgia Exports: Identifying Opportunities for Expansion, December 1992, p.12.

According to the U.S. Embassy in Mexico City, the best overall U.S. export prospects to Mexico include the following:

1. Oil & Gas Field Machinery
2. Electric Power Production & Distribution Equipment
3. Computer Systems and Peripherals, Software
4. Agricultural Equipment
5. Telecommunications Equipment
6. Pollution Control Equipment
7. Hotel and Restaurant Equipment
8. Medical Instruments, Equipment & Supplies ⁴⁸

Approximately 80% of all the capital equipment Mexico buys is made in the U.S., so Georgia exporters in these industries are likely to expand production and hire new workers to meet demand. Table 10 shows that Georgia export growth has been very strong in two of these industries since 1987: Scientific / Medical Instruments (2,717%) and Industrial Machinery / Computers (388%). Georgia's top 5 exports to Mexico accounted for \$263 million (or 56.8%) of all Georgia exports to Mexico in 1992. All have more than doubled since 1987 and two have increased several thousand percent.

TABLE 10: Georgia's Top Five 1992 Exports to Mexico

Top 5 Georgia Exports to Mexico	1992 Exports to Mexico (\$000)	(%) of Total GA Exports to Mexico	(%) Growth GA Exports to Mexico '87-'92
Scientific Instruments	58,509	12.62%	2,717.5%
Paper Products	55,606	12.00%	152.2%
Indust. Machinery & Computers	55,244	11.92%	388.4%
Chemical Products	53,162	11.47%	234.2%
Transportation Equipment	40,874	8.82%	4,660.4%

Sources: U.S. Department of Commerce, International Trade Administration, 1993; and Massachusetts Institute for Social and Economic Research (MISER), 1993.

Most important for Georgia workers is that the Georgia industries that have greatly increased exports to Mexico are also high-wage manufacturing industries. According to Table 11 below, the average weekly wages are as follows: Scientific Instruments (\$556), Paper Products (\$673), Industrial Machinery & Computers (\$516), Chemical Products (\$674), and Transportation Equipment (\$657).

IV. Georgia's Manufacturing Sector

Since more than 90% of Georgia exports to Mexico are manufactured goods, it is important to take a closer look at the state's manufacturing sector.⁴⁹ According to the Selig Center for Economic Growth at the University of Georgia, Georgia's manufacturing sector is expected to generate 2,400 new jobs in 1993. The outlook is excellent for office and computing equipment; good for lumber and wood products, furniture, automobiles, household durables and paper products; moderate for cement, concrete, food and beverages, printed material and chemicals; lackluster for pleasure boats, farm equipment and leather products.⁵⁰ **It is significant that the industries the Selig Center expects to do well in 1993 largely correspond to Georgia's top export products to Mexico: Industrial Machinery & Computers, Transportation Equipment and Paper Products.**

The Manufacturing sector contributes approximately 20% of Georgia Gross State Product and Georgia Employment. Table 11 identifies the industries that comprise Georgia's manufacturing sector ranked by the 1992 percentage of manufacturing employment in each

industry, shows average weekly wages for each industry, and Georgia's exports to Mexico in 1987 and 1992 by industry.

TABLE 11: Analysis of Georgia Manufacturing Sector & Exports to Mexico

Georgia Manufacturing: Industries	1992 Employment	(%) '92 Mfg Emp	Avg Weekly Wage (\$)	1987 Export to Mex (\$000)	1992 Export to Mex (\$000)
Textiles	106,137	20	413	2,112	30,287
Food & Kindred Prod	61,149	11	481	3,944	15,491
Apparel Products	59,659	11	261	407	7,861
Transport Equip	38,943	7	657	859	40,874
Printing & Publish	37,929	7	492	84	11,832
Paper & Allied Prod	33,746	6	673	22,045	55,606
Electrical Equip	29,664	6	581	20,312	33,562
Lumber & Wood Prod	28,904	5	387	15	5,593
Ind Mach & Computer	28,041	5	516	11,311	55,244
Chemical Products	19,233	4	674	15,909	53,162
Fabricated Metal	19,172	4	472	887	11,055
Rubber & Plastic	18,094	3	455	1,798	19,716
Stone, Clay, Glass	17,031	3	526	4,139	1,684
Primary Metal Ind	13,482	3	644	2,656	30,500
Scientific Instrmt	10,211	2	556	2,077	58,509
Furniture & Fixture	8,588	2	378	36	1,543
Miscellaneous Ind	5,934	1	429	51	3,741
Leather Products	1,697	<1	274	15	442
Petroleum Refining	825	<1	620	18	188
Tobacco Products	NA	NA	NA	0	1,565
Totals (Mfg)	541,232	100	484	88,675	438,455

Sources: Georgia Department of Industry & Trade, Georgia Manufacturing Directory, 1993-1994, 1993; and "U.S. Exports to Mexico: A State-By-State Overview," U.S. Department of Commerce, International Trade Administration, April 1993; and Massachusetts Institute for Social and Economic Research (MISER), 1993.

Again, the top five Georgia exports to Mexico are all high-wage industries, as evidenced by the following 1992 levels of exports to Mexico and average weekly wages: Scientific & Measuring Instruments (\$59,509,000; \$556), Paper Products (\$55,606,000; \$673), Industrial Machinery & Computers (\$55,244,000; \$516), Chemical Products (\$53,162,000; \$674), and Transportation Equipment (\$40,874,000; \$657). **Every one of these top Georgia export sectors to Mexico have average weekly wages well above the average weekly wage for all Georgia industries (\$454) and the average weekly wage for Georgia manufacturing (\$484).**

It is also significant that there were more than 10,000 Georgians working in each of these strongest industries exporting to Mexico in 1992: Transportation Equipment (38,943), Paper Products (33,746), Industrial Machinery & Computers (28,041), Chemical Products (19,233), and Scientific Instruments (10,211).

The Amalgamated Clothing and Textile Workers Union estimates that 10,000 Georgians have lost their textile and apparel jobs as a result of 79 plant closings since 1989.⁵¹ Nonetheless, the Textile industry, Georgia's largest manufacturer with 106,137 employees (or 20% of Georgia manufacturing employment), has significantly increased exports to Mexico from \$2.1 million in 1987 to \$30.3 million in 1992. This increase of over 1,334% placed Textiles as the eighth largest export industry to Mexico from Georgia in 1992. Accordingly, the Georgia Textile Manufacturers Association announced their support of NAFTA in September 1993.⁵²

A recent report from the Small Business Development Center at The University of Georgia⁵³ detailed the local business structure of these most important Georgia industries and characterized their future export potential.

Note that for all products except textiles, Mexico is identified as an excellent export market:

Textiles: Potential for exports is greatest in carpets and rugs, the largest textiles subgroup. This industry is characterized by small and mid-sized firms, and it is geographically concentrated. Important markets are Canada, the Middle East, Asia and Europe.

Chemicals: Industry is composed of mostly small and mid-sized firms producing specialized preparations for industrial or consumer markets. Industrial inorganic chemicals, plastics, resins, and pharmaceuticals are the subcategories most oriented toward international markets. Major markets include Canada, Japan, and Mexico, as well as other countries in Asia and Europe.

Industrial Machinery: Except for a large number of very small machine shops in the miscellaneous category, most firms consider their markets to be international. Canada, Western Europe, and Japan are the most important markets for the United States. Opportunities for expanded sales to Eastern Europe, **Mexico** and Latin America should be explored.

Electrical Equipment: Most firms are small and mid-sized producers of wiring and equipment for industry and construction uses. Major international markets for the industry include Canada, Western Europe, Japan and **Mexico**.

Transportation Equipment: Several very large producers of aircraft, aircraft parts, automobiles, and buses probably have internal resources for supporting export activity. However, the industry also includes numerous small and mid-sized auto parts and truck producers who may be receptive to export promotion efforts. Important markets are located in Canada, Western Europe, the Middle East, Japan, **Mexico** and Malaysia.

Instruments: Most firms are small and mid-sized producers of highly sophisticated industrial or medical devices and supplies. Export activity is high throughout the industry, but manufacturers of industrial and laboratory instruments are particularly oriented toward the international market. The largest markets for Georgia exporters in 1991 were Saudi Arabia, **Mexico** and Canada.⁵⁴

By contrasting Georgia's top export products with the **weakest** export performers, it is possible to learn even more about the competitive strengths and weaknesses of the state economy. **Georgia's bottom five export industries to Mexico are mostly low wage industries or sectors that do not contribute substantially to the Georgia economy in terms of 1989 Gross State Product (see Table 2 above - The Georgia Economy):**

- | | |
|-------------------------------|---|
| 1) Forestry Products | * collectively contribute 1.9% to Georgia's GSP; account for 1% of total Georgia employment (27,600 employees); and have an average weekly of \$283. |
| 2) Leather Products | |
|) Agriculture-Livestock | |
| 4) Refined Petroleum Products | * both contribute 0.5% to Georgia's GSP; account for less than 1% of total Georgia employment (7,468 employees); and have an average weekly wage of \$623. |
| 5) Metal Mining | |

V. Georgia Service Sector

Services is a very broad sector of the Georgia economy, and therefore must be broken down into its components in order. **The Service sector contributes 16.3% to Georgia's Gross State Product, accounts for 21% of Georgia employment, and has an average weekly wage of \$438.** This is slightly lower than the \$454 per week the average Georgian makes. (See Table 2 above - The Georgia Economy) The Selig Center forecasts that **the Service sector will be the primary source of new job creation as it adds 15,600 new jobs in 1993**, with the following outlooks for individual service sector industries: excellent for health and residential care services; good for business and temporary help services; average for travel-dependent services. ⁵⁵

Table 12 shows that the vast majority (79%) of Service sector employment is in Construction, Financial Services, and Engineering & Management Consulting. The Georgia Construction industry is likely to remain a large employer, as lower interest rates and anticipation of the 1996 Olympics spurs new construction. It is interesting to note the small percentage of total Georgia Service sector employment that Agricultural Services (3.52%) and Forestry Services (0.36%) contribute. This probably reflects a national trend of increasing capital intensity in these two industries.

TABLE 12: Georgia 1990 Service Sector Employment

Services Sector	1990 Employment	(%)'90 Svc Employment
Construction	143,800	43.59%
Financial Services	65,800	19.95%
Engineering & Management Consulting	50,300	15.25%
Insurance	34,000	10.31%
Computer Programming & Processing	18,500	5.61%
Agricultural Services	11,600	3.52%
Advertising	4,700	1.42%
Forestry Services	1,200	0.36%
Total 1990 GA Services Employment	329,900	100.00%

Source: William Riall, Georgia Tech, Country Business Patterns, 1989 - in "Toward Development of an Export Promotion Strategy for Georgia," September 1991.

VI. Georgia Agriculture and Mining

In a state that was originally built on its farmers, agriculture remains at the symbolic center in many areas outside of metropolitan Atlanta. But a look into the data reveals a diminishing role for the agricultural sector in the overall Georgia economy. Table 13 shows that the number of farms in Georgia decreased from 59,000 in 1980 to 49,000 in 1990. All other Southeastern states (except Florida) and the United States as a whole have also experienced a decrease in the number of farms since 1980. Table 13 reveals that Georgia's Agriculture sector now contributes 1.9% to Georgia's GSP, accounts for 1% of Georgia employment and has an average weekly wage of \$283.

TABLE 13: Number of Farms in Georgia and Southeastern States

Area	1980	1986	1989	1990
Georgia	59,000	49,000	48,000	49,000
Alabama	59,000	51,000	47,000	47,000
Florida	39,000	39,000	41,000	41,000
North Carolina	93,000	73,000	65,000	62,000
South Carolina	34,000	27,000	26,000	25,000
Tennessee	96,000	96,000	91,000	89,000
U.S.	2,440,000	2,211,920	2,173,000	2,143,000

Note: A farm is each place operated as a unit from which the sale of agricultural products totaled \$1,000 or more.

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, Georgia Statistical Abstract, 1992-1993, 1993, p.218 (Table 8.103).

According to the Selig Center, Georgia's overall agricultural outlook for 1993 is mildly bullish: adjusted for inflation, the state's farm income is expected to rise by 1.7% in 1993.⁵⁶ Within the Agriculture sector, the 1993 outlook is as follows: good for greenhouse and nursery products, poultry, aquaculture, wheat and tobacco; average for hogs and soybeans; below average for cattle, corn, and cotton.⁵⁷

Peanuts, historically associated with Georgia, are at the center of the agricultural debate over NAFTA. The Georgia Peanut Commission feels that Georgia's 8,300 peanut farmers, primarily in Southwestern Georgia, will be at risk under NAFTA: "There are farmers (nationwide) that will win. But in Georgia we will be the big losers. When Mexico takes

semiarid land out of production of corn and soybeans, they're going to go to peanuts." ⁵⁸ However, the U.S. Department of Commerce predicts that the agreement will have a "small positive effect" on the peanut industry; it expects U.S. exports to increase by 8% because Mexico is a net importer of peanuts and indeed, the U.S. is its biggest exporter. ⁵⁹

Within Agriculture, the Crops sector accounts for nearly all Georgia exports to Mexico, growing from \$0.5 million in 1987 to \$5.1 million in 1992 according to Table 14. Most of these shipments are exports of soybeans, corn and peanuts. However, in the coming decade Georgia farmers will likely feel growing pressure from Mexican farmers who are rapidly adopting modern techniques for increasing crop yields.

Table 14 also shows that the average weekly Mining wage is \$623, much higher than the average Georgia wage of \$454. But Georgia's Mining sector contributes 0.5% to Georgia's GSP and accounts for less than 1% of Georgia employment. Within the Mining sector, the Non-Metallic Minerals sub-sector (almost entirely kaolin) accounts for nearly all Georgia exports to Mexico, slightly decreasing from \$14.967 million in 1987 to \$11.655 million in 1992.

TABLE 14: Georgia Agriculture and Mining Analysis

Sector	1992 Emp.	(%) GA Emp	Avg Weekly Wage (\$)	1987 Export to Mex (\$000)	1992 Export to Mex (\$000)
Agriculture, Forestry, Fisheries:	27,600	1	283	519	6,474
Agriculture - Crops				121	5,107
Agriculture - Livestock				40	20
Forestry				358	534
Fishing & Hunting				0	813
Mining:	7,468	<1	623	15,114	11,720
Metal Mining				147	65
Coal Mining				0	0
Oil & Gas				0	0
Non-Metallic Minerals				14,967	11,655

Sources: Georgia Dept. of Industry & Trade, Georgia Manufacturing Directory, 1993-1994, 1993; U.S. Department of Commerce, 1993; and Massachusetts Institute for Social and Economic Research, 1993.

VII. Georgia Employment Projections

During President Bill Clinton's meeting in July 1993 with Georgia business and labor leaders to discuss his economic plan, the President projected that his plan would create 368,000 new jobs in Georgia.⁶⁰ Whether this prediction will occur remains to be seen, but the Georgia economy has been strong in recent years. Georgia has had the lowest unemployment rate (5%) among Southeastern states since 1991.⁶¹

Despite a lingering national recession, Georgia's May 1993 unemployment figure was 5.2%, much lower than the 6.7% unemployed nationwide. New jobs are expected to be created through the 1996 Olympics. As shown in Table 15, significant gainers will be the Services sector (2.4%) and the Construction sector (1.1%). Manufacturing will only grow by 0.4%, but the growth within this sector will vary greatly and could depend on increased export opportunities. Industries which have greatly increased exports to Mexico (Industrial Machinery and Computers, Electrical Equipment, Transportation Equipment, Chemicals and Paper Products) will be adding new workers to meet this demand.

TABLE 15: 1992 Georgia Non-farm Employment and 1993 Projections

Sector	1992	1993
Nonfarm Employment:	2,949,300	2,976,100
Mining	7,400	7,500
Construction	118,700	120,700
Manufacturing	544,400	546,800
Trans, Comm, Public Utilities	199,500	200,400
Wholesale and Retail Trade	729,900	733,700
Finance, Insurance & Real Estate	162,900	163,300
Services	651,800	667,400
Government	534,700	536,300

Source: 1993 Georgia Economic Outlook, Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1993.

Table 16 shows the results of a longer term study of the Georgia job market, predicting job gains and losses by industry over the next decade. Notable is that the service sector is expected to increase the most, growing 2.25% by adding 439,300 new jobs by 2005. Durable goods manufacturing will add 15,510 new jobs, while Nondurable goods could lose 6,850 jobs by 2005.

TABLE 16: Estimated 1990 and Projected 2005 Georgia Employment

Industry	1990 Employment	(%) of Total	2005 Employment	(%) of Total	# Change '90-'05	(%) Chg '90-'05
Agricul, Forest, Fishing	76,790	2.4	82,300	2.0	5,510	0.46
Mining	8,700	0.3	8,880	0.2	180	0.13
Construction	147,300	4.5	176,010	4.3	28,710	1.19
Durable Goods Mfg	211,860	6.5	227,370	5.6	15,510	0.47
Non-Dur Mfg	347,290	10.6	340,430	8.4	-6,860	-.13
Transportation	136,770	4.2	170,780	4.2	34,010	1.49
Communication & Utils	80,400	2.5	96,330	2.4	15,930	1.21
Wholesale Trade	214,000	6.6	251,230	6.2	37,220	1.07
Retail Trade	531,100	16.3	699,780	17.2	168,680	1.86
Finance, Insur. & Real Est	162,900	5.0	203,760	5.0	40,860	1.50
Services	1,105,480	33.9	1,544,790	37.9	439,300	2.26
Govt	241,040	7.4	276,620	6.8	35,580	0.92
Total	3,263,630	100.0	4,078,250	100.0	814,620	1.50

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, Georgia Statistical Abstract, 1992-1993, 1993, p.120 (Table 4.206).

One of the traditional attractions for businesses locating to Georgia was the relative lack of organized labor in the South. As Table 17 reveals, the Georgia labor force still remains far less unionized than the nation as a whole (11.82% versus 18.27% for the U.S. in 1989), but Georgia also has the third highest unionization percentage among Southeastern states. Georgia also ranks 19th (with 1 being the lowest) nationwide on the basis of percentage of manufacturing workers that are unionized.

TABLE 17: Percentage of Unionized Manufacturing Workers in Georgia

Area	Unionized Mfg Workers (%), 1989	National Rank(a), (%) Unionized, 1989	Relative Change (b) Unionized, '84-'89	National Rank(a), Change in Unionized, 1989
Georgia	11.82	19	-0.678	25
Alabama	14.47	24	-1.634	12
Florida	8.97	12	0.099	46
North Carolina	4.46	4	-0.146	43
South Carolina	2.95	2	-0.266	40
Tennessee	12.86	21	-0.848	22
U.S. Avg	18.27	-	-1.024	-

(a) Based on value for fifty states, ranked from lowest (1) to highest (50).

(b) Based on the difference in percentage points between the percent of the state's manufacturing work force unionized in 1989 versus 1984, divided by the national change over the same period.

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, Georgia Statistical Abstract, 1992-1993, 1993, p.134 (Table 4.700).

VIII. Georgia and the Southeast - Gross State Product and Exports

The Southeast, defined here as North Carolina, South Carolina, Georgia, Florida, Alabama, and Tennessee represents an increasingly resilient and economically diversified region of the U.S. As shown in Table 18, the Southeast now accounts for 21.14% of U.S. GDP, a fairly sizable contribution for just six states. Georgia, as the gateway to the South (and perhaps eventually to Central and South America), is becoming an ever stronger member

of the Southeastern region. Georgia contributes 11.89% to the Southeast's GSP and 2.51% to overall U.S. GDP.

TABLE 18: Comparing Georgia, Southeast and U.S. Gross State Product (1989)

Total GDP - US (\$Mil)	5,164,671
Total GSP - Southeast (\$Mil)	1,091,847
Total GSP - Georgia (\$Mil)	129,776
Southeast GSP/US GNP (%)	21.14%
Georgia GSP/US GNP (%)	2.51%
Georgia GSP/Southeast GSP (%)	11.89%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Gross State Product, 1977-1989," December 1991.

The Southeast is rapidly becoming connected with the growing markets beyond our borders and has recently enjoyed the benefits of increased trade with Mexico. The southeastern states posted the biggest regional percentage increase in exports to Mexico, with exports rising over 260% from 1987 to 1992.⁶²

Table 19 reveals that total Southeastern exports to Mexico grew from \$636 million in 1987 to \$2,373 million in 1992, a growth rate of 273.4%. North Carolina led the Southeast in export growth to Mexico during this period with 364.9%. Georgia was a close second among Southeastern states with 328.8% growth. Florida exported the most to Mexico of all Southeastern states in 1992 with \$664 million and Georgia was second with \$464 million.

The Southeast accounted for 5.85% of total U.S. exports to Mexico in 1992. With every state in the Southeast outperforming the U.S. as a whole in growth of exports to Mexico between 1987 and 1992, the region seems poised for the tremendous opportunities NAFTA will bring in coming years. Georgia accounted for 19.5% of Southeastern exports to Mexico in 1992, second only to Florida with 27.9%. Georgia accounted for only 1.14% of total U.S. exports to Mexico in 1992, but exhibited one of the top 11 growth rates in exports to Mexico among all 50 states.⁶³

TABLE 19: Southeastern States Exports to Mexico (\$000)

State	1987	1992	% Change
Alabama	80,551	263,818	227.5%
Florida	218,998	663,799	203.1%
Georgia	108,097	463,503	328.8%
North Carolina	94,670	440,076	364.9%
South Carolina	32,350	127,868	295.3%
Tennessee	100,938	413,950	310.1%
Total Southeast	635,604	2,373,014	273.4%
Total U.S.	14,582,239	40,597,451	178.4%

Sources: U.S. Department of Commerce, International Trade Administration, "U.S. Exports to Mexico: A State-By-State Overview," July 1993; and Massachusetts Institute for Social and Economic Research, 1993.

IX. Foreign Investment in Georgia

Since NAFTA will relax rules on foreign investment in Mexico capital is expected to flow south of the border. Georgia, on the other hand, has already witnessed a significant infusion of foreign capital; this investment is partially responsible for the economic restructuring occurring in Georgia. Direct foreign investment in Georgia has grown substantially since the 1970s and most of the capital has come from the industrialized nations. The amount of foreign investment in Georgia rose by \$1.3 billion in 1992, increasing to a record \$8.8 billion - this jump erased the decline of 1991 to \$7.5 billion and pushed the level of foreign investment in Georgia above its previous record of \$8.6 billion in 1990.⁶⁴ According to a recent Harris Survey of foreign executives, this trend is likely to continue: **Atlanta was rated as the best U.S. city in which to locate new facilities.**⁶⁵ Atlanta scored well above America's "Big Three" cities, New York, Los Angeles and Chicago, ranking highest in labor quality, overall quality of life, and regulatory environment.⁶⁶

Table 20 shows a breakdown by country of the foreign investment in Georgia for 1991. **The source of foreign capital is primarily Japan and Europe, accounting for approximately 75% of the top ten countries with investments in Georgia.** This is due in part to the trade and investment offices established by the Georgia Department of Industry, Trade and Tourism in Asia and Europe.

TABLE 20: Top 10 Countries with Investments in Georgia

Country	Cumulative Investment (\$Mil) as of December 31, 1991
Japan	2,172.2
Canada	1,857.9
United Kingdom	1,236.9
Netherlands	937.4
Sweden	501.7
Germany	425.8
Australia	349.5
Bermuda	301.5
Switzerland	250.1
France	195.5
Total	7,543.9

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, Georgia Statistical Abstract, 1992-1993, 1993, p. 298 (Table 10.305).

Most important for Georgia workers is that of the top five countries with facilities in Georgia, Table 21 shows that 38% of foreign investments have been made in local manufacturing facilities. The United Kingdom and Japan both employ over 16,000 workers each in manufacturing facilities in Georgia. Mexico has only one reported investment in Georgia.

Cross-border investments and joint ventures are expected to become much more common between Georgia and Mexico under NAFTA. States have long competed with each other by independently sending investment missions to and setting up offices in overseas markets to attract investment. This has resulted in a competitive bidding process that mimics developing country efforts to attract foreign investment. Because the bidding involves extending certain benefits to potential investors (tax breaks, free land, etc.), there may be questions as to the real returns to the states beyond simple job creation.⁶⁷

TABLE 21: Top Five Countries (plus Mexico) with Facilities in Georgia, 1992

(1992 Data) Country	Facilities	Total Employment	Mfg Facilities	Mfg Employment
U.K.	268	29,664	164	16,358
Japan	326	22,989	88	16,853
Canada	139	17,485	59	13,305
Germany	164	8,681	50	4,883
Netherlands	117	7,586	17	2,405
Mexico	1	NA	1	NA

Source: Georgia Department of Industry & Trade, Georgia International Facilities, 1993-1994, 1993.

Although there is considerable concern that U.S. investment could overwhelm Mexican business or that it could undermine American jobs, one way to place these fears in their appropriate context is to realize that all U.S. foreign direct investment in Mexico in 1989 was roughly equivalent to all foreign direct investment in Georgia in 1991.

X. Summary and Conclusions

For the United States: The North American Free Trade Agreement will increase United States exports to Mexico and create high-wage American jobs to support these exports.

Since Mexico began opening its market in 1986 more than 400,000 export related jobs have been created in U.S. Today U.S. exports to Mexico support more than 700,000 jobs in the U.S. - 300,000 more are likely to be created under NAFTA. U.S. wages for jobs related to exports to Mexico average 12% more than the average wage for all U.S. jobs. NAFTA would add fewer than 500,000 to the 20 million workers who will be displaced for other reasons by 2000.

For Georgia: The North American Free Trade Agreement will increase Georgia exports to Mexico, create high-wage Georgia jobs to support these exports, and provide the opportunity to better manage the economic restructuring now taking place throughout Georgia.

Georgia is becoming more dependent on trade: exports now account for 4.67% of Georgia's Gross State Product; about 10.2% of all goods manufactured in Georgia are exported, and approximately 9.5% of total Georgia employment is export-related.

Georgia's exports to Mexico were \$464 million in 1992 making Mexico Georgia's third largest export market. Mexico purchased 5.15% of Georgia's total exports in 1992. Georgia's combined exports to Canada and Mexico (\$2,043 million) accounted for 22.7% of total Georgia exports in 1992. 39,100 Georgia jobs are now supported by trade with Canada and Mexico. 8,900 jobs in Georgia were supported by exports to Mexico in 1992 and 60% of those jobs were created in the past five years, since Mexico began liberalizing its import regime. 18,900 new Georgia jobs have been created as a result of exports to Canada and Mexico since 1987.

For comparison, Georgia's \$2.2 billion in 1992 exports to Western Europe (or 24% of total Georgia exports) supported 39,200 Georgia jobs, or 1.3% of total state employment. Growth in exports to Mexico from Georgia between 1987 and 1992 was 328.8%, one of the top ten state growth rates and second only to North Carolina (364.9%) among Southeastern states. In terms of volume, Georgia (\$464 million) ranked second only to Florida (\$664 million) among the Southeastern states' 1992 exports to Mexico.

Manufacturing is now the largest sector of the Georgia economy, contributing 19.2% to Gross State Product. The average weekly Georgia manufacturing wage of \$484 is higher than the average weekly Georgia wage of \$454, and Georgia manufactured exports to Mexico have increased by 395%, growing from \$89 million in 1987 to \$439 million in 1992.

Georgia is expected to add 26,800 new jobs in 1993 and 814,000 new jobs between 1990 and 2005, but the type of new jobs are changing from agriculture and low-wage manufacturing to service and high-wage manufacturing. The Georgia manufacturing sector will add 2,400 new jobs in 1993.

The top 5 exports products from Georgia to Mexico are all produced in high-wages industries: Scientific Instruments (\$59 million, \$556), Paper & Allied Products (\$56 million, \$673), Industrial Machinery & Computers (\$55 million, \$516), Chemical Products (\$53 million, \$674), and Transportation Equipment (\$41 million, \$657).

More than 10,000 Georgians are working in each of these strongest industries exporting to Mexico in 1992: Scientific Instruments (10,211), Paper & Allied Products (33,746), Industrial Machinery & Computers (28,041), Chemical Products (19,233), and Transportation Equipment (38,943).

The Selig Center predicts that the industries which will do well in 1993 will correspond to Georgia's top export products to Mexico: Industrial Machinery & Computers, Transportation Equipment and Paper Products.

Over 106,000 Georgians (or 20% of total manufacturing employment) are employed in the Textile sector, and Georgia Textile manufacturers have been strong exporters to Mexico.

Agriculture is becoming less important to the Georgia economy: the number of farms in Georgia decreased from 59,000 in 1980 to 49,000 in 1990 - the Agriculture, Forestry & Fishing sector now contributes 1.9% to Georgia Gross State Product and employs 1% of the Georgia labor force - the average weekly wage for this sector is \$283. The U.S. Department of Commerce predicts that NAFTA will have a "small positive effect" on the peanut industry.

The overall impact of NAFTA is likely to be positive. The high-wage industries that are already exporting will likely see their markets grow.

Acknowledgments

Thanks to Dr. Robert Pastor for editorial advice and the unique opportunity to be involved with the Carter Center. I am also indebted to Dr. Jeffrey Rosensweig from Emory Business School and David Carroll from the Latin American and Caribbean Program for comments on earlier drafts. Kjersten Walker assisted with the original research and organization of the paper. Carlos Martel, Kevin Langston and Kristen Hamby from the Georgia Department of Industry, Trade and Tourism provided open access to their extensive library.

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Appendix A

Case Studies: Georgia Firms and NAFTA

The following case studies represent data and opinions from a variety of businesses. These firms are representative of some of Georgia top exporting industries, as well as of industrial sectors that are expected to experience increased competition due to imports. These following Emory Business School MBA students conducted the research: Tamara Markowitz (Project Director), Paige Bingham, Michael Dillon, Noel Schmidt, Tracey Sheffield, and Cynthia Terdiman.

Atlanta Saw

In 1965, Atlanta Saw was created as the international marketing division of Southern Saw Service, Inc, a major producer of meat cutting blades. Today the division, with annual business volume of \$6 million dollars, earns approximately 30 percent of the parent company's total income.

International sales are an increasingly important to Southern Saw Services as Atlanta Saw's exports rise. While unwilling to reveal an exact export figure, the company reports that its export growth has been sufficient to apply for the Department of Commerce's E-Star award. Domestic demand for meat cutting equipment has been declining in recent years, underscoring the importance of this strong export performance.

If NAFTA is approved, Atlanta Saw anticipates steady continuing growth of exports to Mexico. Currently, Mexico is Atlanta Saw's fifth largest export market, with 1992 annual sales of approximately \$195,000. While still relatively small, this represents a dramatic rise from 1989 sales to Mexico of \$29,013. The company believes that this is a direct result of lowered tariffs.

In addition to direct sales, Atlanta Saw has a joint venture with a Mexican partner. When the partnership was established in 1975, Atlanta Saw provided raw materials and technology to the Mexican manufacturer. Today, however, the relationship is changing. Atlanta Saw reports that lowered Mexican tariffs since 1989 have made shipping raw materials to Mexico less profitable than shipping finished products. Currently, Atlanta Saw is shipping both finished and semi-finished products to Mexico. With the passage of NAFTA, the company plans to transfer all manufacturing in Mexico back to the United States.

The company also plans to expand their workforce as export growth to these NAFTA countries continues. Increased demand for Atlanta Saw's products in Canada and Mexico have enabled the company to maintain current employment levels. In addition, while Atlanta

Saw has no specific data tying job growth to NAFTA, the company estimates that four to five percent of their projected employment increase will be directly tied to new sales to Canada and Mexico once the Agreement is passed.

While growth estimates are still speculative, Atlanta Saw stated its commitment to investment in Georgia. With any growth that results from increasing exports to Mexico, the company will reinvest in its Georgia facility.

Cantrell Machine Company

Cantrell Machine Company is a Gainesville, Georgia manufacturer of poultry processing equipment. The company has experienced growth from \$3 million in sales ten years ago to over \$20 million today. Fifteen percent of these sales are exports, and more than half of these export sales go to Mexico. Their exports have risen from nothing five years ago to almost \$3 million today.

The company presently employs 140 people doing \$20 million in sales. Export growth is estimated at 10-15% and is expected to bring employment gains of 15%. All of Cantrell's production facilities are in the U.S., though some employees travel to Mexico for sales, etc.

Crown America

Crown America is a textile company that specializes in carpet yarns. Their sales have varied widely over the last decade due to divestiture of plants. Currently, the company estimates annual sales of \$22 million.

Approximately 20% of their business is in exports, but until recent months, they had very little export interest in Mexico. Now, however, there are initiatives to test fabrics and yarns for export to that country.

The company does not expect that export plans for Mexico will be affected with or without the existence of NAFTA, since there are no significant tariffs for carpet yarns in Mexico. Accordingly, the company does not believe that NAFTA will affect company employment levels.

Crown Anderson

Crown Anderson is the public holding company of Anderson 2000 Inc. and Crown Rotational Molded Products, Inc. These companies specialize in a variety of industrial products, including industrial pollution control systems, hazardous waste disposal systems, fans, and

plastic holding tanks and refuse containers. The company owns a subsidiary in the Netherlands whose product line services Western Europe, the Middle East, and Africa. In addition, the parent company licenses manufacturers in Japan and India to produce for the Asian market.

Net income for Crown Anderson in 1986 was \$517,000. By 1992, net income had risen to \$1,662,949, growing over 300%.

In 1992, foreign operations accounted for 37.5% of the parent company's revenues. In 1991, the percentage of revenues from foreign operations was 16%, and in 1990, it was 22%. Foreign sales for these years were: \$9.5 million in 1992, \$3.7 million in 1991, and \$4.0 million in 1990.

While Crown Anderson has done no business in Mexico in the recent past, the company believes it has unlimited room to grow in the Mexican marketplace because of the company's good reputation in the field.

Greenwood Mills

Greenwood Mills is a privately held textile company with operations in Georgia, El Paso, Tennessee, and South Carolina. In total, the company employs 7,000 people, and exports about 8-15% of total sales.

Over the past 20 years, the textile industry has automated a great deal. Through investments in new machinery, Greenwood has maintained its production while reducing its plants from 16 to 7 plants and its employees from 5,500 to 300.

NAFTA is very important to Greenwood Mills, which expects the agreement to generate an increase in exports of 10-20%. Specifically, NAFTA will open up new markets for the company and increase sales out of El Paso. Greenwood Mills expects that the standard of living in Mexico will rise, and the increased per capita income will enable more people to buy their goods.

Greenwood is considering joint ventures or building production facilities in Mexico with or without NAFTA. Levi Strauss, a large denim customer for Greenwood, already has sewing operations in Mexico. Many of Greenwood Mill's other customers have sewing operations in Mexico, so Greenwood is already moving goods there.

Greenwood already has joint ventures in Venezuela and Pakistan. Worldwide, they plan to invest over \$100 million in the next two years to modernize equipment and pursue joint ventures.

Kemron Environmental Services

The primary business of this private firm is to provide environmental consulting. Current annual revenues are approximately \$20 million.

The company is fully domestic except for its Mexico operations. In July 1992 Kemron Environmental Services opened an office in Mexico City. This represents approximately a small percentage of total revenue (about \$500,000). There is also a one-man office in Mexico. The company expects growth in Mexico, but finds it hard to predict growth in the consulting area because revenues are dependent not only upon the quality of the service but also quite heavily upon what other businesses develop up in Mexico.

Kemron expects to build new offices and increase staff in Mexico -- approximately 5 to 10 new employees -- depending on a variety of factors including NAFTA and industrial expansion there. The company does not believe that additional business in Mexico will take away employment in the US.

With NAFTA the company expects definite growth as the agreement spurs many environmental regulations within Mexico. NAFTA will provide a real impetus to "clean up environmental messes." Without NAFTA, however, sales in Mexico will be flat. The Mexican government, Kemron believes, will not take a hard look at the environment to encourage environmental accountability.

Micromeretics Institute Corporation

Micromeretics Institute Corporation is a 31-year old privately-held company specializing in laboratory equipment for working with high-tech ceramics and investigating the physical properties of materials.

The company experienced rapid growth in its early years, and has in the past few years maintained annual growth of eight to ten percent. Micromeretics employs about 250 people throughout the world, with 210 of them based in Georgia. Five years ago, the company realized annual sales of around \$20 million. Currently, the annual sales figure hovers around \$30 million.

Approximately 65% of Micromeretics' annual sales revenue is derived from exports, a level the company hopes to sustain in the near future. Micromeretics has received awards for excellence in exporting, including the E-Star award from the U.S. Department of Commerce.

Micromeretics experienced problems with their previous distributor in Mexico, causing the company to believe that past export figures to that country are not representative of the

company's potential. With that problem resolved, Micromeretics currently sells approximately \$500,000 to the Mexican market, or just under two percent of yearly revenue.

Although no specific projection have been made, Micromeretics believes it will see a 15 to 20 percent increase in exports to Mexico and Canada as a result of the passage of NAFTA. The company relies heavily on emerging technologies, and increased sales as a result of NAFTA would spur growth not only in manufacturing, but in research and development as well.

If NAFTA is not passed, Micromeretics foresees a decrease in the rate at which their export sales to Canada, Mexico, and the Americas grows. The company sees NAFTA as a long-term commitment to trade in this hemisphere. Should NAFTA not pass, Micromeretics believes it would send strong negative signals throughout the Americas.

Nalco Chemical

Nalco Chemical is a Fortune 500 specialty chemical company that produces products and services used by industry to improve performance. Their 1992 sales were \$1.4 billion, and their real growth is estimated at 5-7% per year over the next few years.

Nalco Chemical exports from the US to foreign markets. However, exports are small when compared to their sales of goods produced abroad. Because it is more cost efficient for Nalco to buy inputs and make products at facilities in other countries than it is for them to export U.S.-made goods, 42% of their business is outside of the US.

Canada and Mexico are more attractive for Nalco to export to than Pacific rim and European countries due to transportation costs. Exports to Mexico are approximately \$3-5 million annually. Nalco has manufacturing facilities in Mexico due to local content laws. They have a structure in place to provide for the foreseeable future and do not anticipate any added capital investment in Mexico or in the US. Any increase in sales would result in higher utilization of existing facilities.

Nalco estimates that every \$1 million increase in export sales will add 4-5 jobs. NAFTA, they believe, will bring a 10-15% growth of exports. Without NAFTA, the company estimates that they will only have a 4-7% growth in exports.

Nalco believes that the benefits of NAFTA are three fold: First, Nalco will have more exports to Mexico directly due to expanding markets. The economy in Mexico will be stronger which will add to demand. There will be more emphasis on environmental issues and more water treatment projects -- all which will increase Nalco's exports to Mexico.

Second, many of Nalco's US customers in heavy industry will benefit from NAFTA. As their business increases and their exports grow, their demand for Nalco's products will increase.

Third, Nalco will benefit from the overall increased emphasis on the environment in Mexico. Nalco can provide solutions to the environmental problems that Mexico faces.

Purfil

Purfil, Inc. is a high-tech industrial air purification equipment business begun 10 years ago. Currently, the company records \$15 million in annual sales, with approximately half of these sales exported. In fact, Purfil has won awards for their high export performance.

There are no tariff restrictions on Purfil's product in Mexico, but the company's exports there are very low. The company believes that they will increase exports to Mexico over time due to the growing economy, but not because of NAFTA. They do not perceive any business benefits from NAFTA for the company.

Scientific Atlanta

Scientific Atlanta provides broadband network systems to businesses and individuals. Total 1993 sales were \$730,632,000, a 26% increase over 1992 sales. The percentage increase in sales per year has grown from 2% in 1988 to 26% in 1993, though 1991 sales decreased by 20%. Sales from total exports have increased from 15% of total revenue in 1987 to 27.5% (\$159,728,000) in 1992. Mexico has become one of the largest export markets for Scientific-Atlanta. The reduction of tariffs on communication products in 1989 has offered more exporting opportunities to the company.

Should NAFTA move forward, Scientific-Atlanta estimates sales increases of 22.5%. By the end of the decade, sales growth is expected to double, with Mexico comprising the bulk of the new sales.

Scientific-Atlanta employs 2,500 workers, with 100 jobs directly related to exporting products to Mexico. The company created several hundred other positions as a direct result of the increase in exports that began in 1987.

If Congress fails to implement NAFTA, Scientific Atlanta will not profit from expanding its export product base in Mexico beyond what it exports today. In addition, the company believes the telecommunications field will lose its competitive edge either to Europe or Japan who may take the opportunity to negotiate their own trade agreements with Mexico.

Seydel International

Seydel International is an international subsidiary of the Seydel Companies, a Georgia-based group of textile processing chemical companies founded in 1919. Seydel International has joint venture partners, licensees, and exclusive agents in over 40 countries, and offers on-site consulting service around the world.

Ten years ago, Seydel International had no sales to Mexico. In the past few years, however, business with Mexico has taken off. In the past two years, business to Mexico has doubled. The company's president attributes all of this growth to the reductions in tariffs that Mexico has undertaken in preparation for NAFTA. A few years ago, Seydel's products faced a tariff of almost 45%. Now tariffs are down to five to ten percent, allowing Seydel to competitively price its products in the Mexican market. For example, they are currently testing polyester resins in Mexico for a potential client.

Seydel does not have estimates of employment effects of export growth, partially because their production process is very capital intensive. However, they have a new plant in Jefferson, Georgia currently running at two-thirds capacity. They expect this plant to go to full capacity as exports increase.

Shaw Industries

Shaw Industries is the world's largest carpet manufacturer, with current sales of three billion dollars annually. The company has experienced tremendous growth; just ten years ago sales were under \$400 million.

About 1.4% of Shaw's production is exported. Shaw Industries believes NAFTA will be very good for their business. They expect to increase exports, and are considering establishing a manufacturing facility in Mexico to supplement current business. The company presently does business under several Mexican Trade Pacts that have greatly aided movement into Central and South America, increasing Shaw's exports to the region.

Thomaston Mills

Thomaston Mills is a textile manufacturer in business since 1899. Their products include home furnishings, apparel fabrics, and industrial yarns. The company employs 2,450 people throughout Georgia, where it does all of its manufacturing.

Current sales have grown rapidly over the last ten years to \$278 million in fiscal 1992. Exports are roughly five percent of sales, none of which go to Mexico.

The company is expecting rapid employment growth with or without exports, and any export growth may be handled within the current growth plan.

Thomaston Mills is strongly for NAFTA, because the company believes that all textiles will benefit with the expansion of trade with Mexico. Since Thomaston's trade to Mexico is currently non-existent, the company expects that NAFTA may help open that market to them.

Worthington Steel

The Worthington Steel Company provides products and services for processing steel. The company has 11 divisions, one of which is located in Georgia. Sales for the entire corporation were \$1.1 billion in 1992. Seventy million dollars of these sales were international, with \$2.6 million in exports to Mexico. The company projects growth of international sales at a rate of ten to fifteen percent annually.

The company, which began developing business relations in Mexico in 1988, is very supportive of NAFTA and the accompanying tariff reductions. In the last 2 years, tariffs have been reduced from 17% to 10%. NAFTA would bring these rates down to 7% by 1998, and eliminate them entirely nine years later.

Worthington Steel expects U.S. companies to benefit with NAFTA due to increased export of certain products which cannot be produced in Mexico. To the extent that Worthington clients see increased sales, Worthington benefits by increased customer orders. However, should NAFTA not pass, the company does not foresee any negative effect. Regardless of NAFTA, Worthington Steel expects trade growth with Mexico.

With this increase in exports, Worthington Steel predicts growth in employment both of Americans and Mexicans abroad, and of Americans domestically. Presently one sales manager resides in Mexico, but all production takes place in the U.S. Job gains within the Georgia division could be from 5 to 50, but it is unclear if high paying technical jobs will remain in the U.S. or move to Mexico.

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