



# NAFTA



A DECADE OF  
STRENGTHENING A  
DYNAMIC RELATIONSHIP



The North American Free Trade Agreement (NAFTA), is an outstanding demonstration of the rewards to outward-looking countries that implement policies of trade liberalization as a way to increase wealth and improve competitiveness. The NAFTA is an example of the benefits that all countries could derive from moving forward with multilateral trade liberalization. Farmers, workers and manufacturers benefit from the reduction of arbitrary and discriminatory trade rules, while consumers enjoy lower prices and more choices.



## STRENGTHENING A DYNAMIC RELATIONSHIP

January 1, 2004 marks an important milestone in the trade and economic relationship between Canada, the United States and Mexico. This date marks the tenth anniversary of the launching of the North American Free Trade Agreement (NAFTA). Ten years ago the three countries formed a free trade area with a total gross domestic product (GDP), at present, of US\$11.4 trillion. This makes North America the world's largest free trade area, with about one-third of the world's total GDP, significantly larger than that of the European Union. Even with the addition of ten new members next year, the EU's GDP will increase to US\$8.3 trillion, still well behind the NAFTA region.

Our three countries have enjoyed a thriving relationship derived from their decision to open doors and break down barriers. As we approach NAFTA's tenth anniversary, markets continue to open up for a freer flow of goods, services and investment, and our economies are integrating as never before. By expanding trade, investment and employment, the NAFTA is enhancing opportunities for the citizens of all three countries and has made our trilateral relationship more dynamic.

Looking forward, the Parties are committed to ensuring that the NAFTA strengthens this relationship. By maintaining the NAFTA rules-based framework for expanding the scope of North American business relationships, we are setting the conditions in which citizens of North America can excel.





## STRENGTHENING TRILATERAL TRADE AND INVESTMENT

By strengthening the rules and procedures governing trade and investment on this continent, the NAFTA has allowed trade and investment flows in North America to skyrocket. According to figures of the International Monetary Fund, total trade among the three NAFTA countries has more than doubled, passing from US\$306 billion in 1993 to almost US\$621 billion in 2002. That's US\$1.2 million every minute. In this same period:

- Canada's exports to its NAFTA partners increased by 87 percent in value. Exports to the United States grew from US\$113.6 billion to US\$213.9 billion, while exports to Mexico reached US\$1.6 billion.
- US exports to Canada and Mexico grew from US\$147.7 billion (US\$51.1 billion to Mexico and US\$96.5 billion to Canada) to US\$260.2 billion (US\$107.2 and US\$152.9 billion, respectively).
- Mexican exports to the US grew by an outstanding 234 percent, reaching US\$136.1 billion. Exports to Canada also grew substantially from US\$2.9 to US\$8.8 billion, an increase of almost 203 percent.



The NAFTA has allowed both Canada and Mexico to increase their exports to the United States, but not at the expense of each other's share in the U.S. merchandise import market. That's because substantial new trade has been generated throughout North America. Canada has consistently accounted for approximately 18 percent U.S. imports, while Mexico has seen its share of the U.S. imports increase from 6.8 percent in 1993 to 11.6 percent in 2002.

The NAFTA has also boosted competitiveness at the global level. The Agreement has been instrumental in making North America one of the most active trading regions in the world. The NAFTA countries now account for almost 19 percent of global exports and 25 percent of imports.

NAFTA fosters an environment of confidence and stability required to make long-term investments and partnering commitments. With a strong, certain and transparent framework for investment, North America has attracted foreign direct investment (FDI) at record levels. In 2000, FDI by other NAFTA partners in the three countries reached US\$299.2 billion, more than double the US\$136.9 billion figure registered in 1993. NAFTA has also stimulated increased investment from countries outside of NAFTA. North America now accounts for 23.9 percent of global inward FDI and 25 percent of global outward FDI.



## STRENGTHENING PROSPERITY IN NORTH AMERICA

Liberalized trade provides advantages for businesses and consumers. Manufacturers in the NAFTA region benefit from a greater supply of inputs at lower prices. The result has been a rise in productivity that strengthens their competitiveness in global markets.

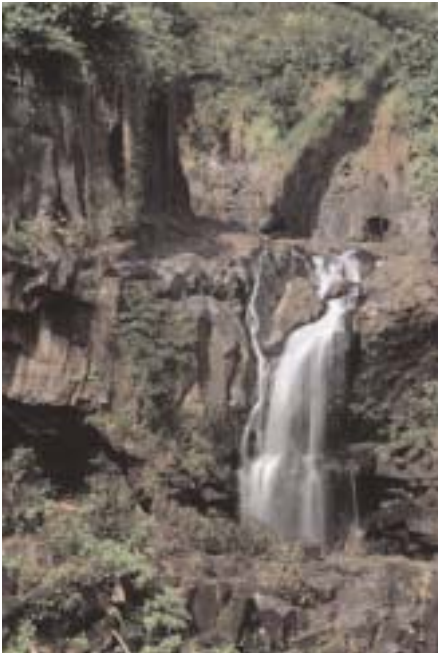
For consumers in all three countries, NAFTA has provided more choices at competitive prices. Lower tariffs mean that families pay less for the products that they buy and they have a greater selection of goods and services, which increases their standards of living.

The NAFTA has provided benefits in other, sometimes unexpected, ways as well. The movement of goods and people is creating growing linkages that facilitate the exchange of ideas and methods of addressing common challenges. People of the three countries are visiting each other in increasing numbers and are forming families and friendships that span the continent, which, in turn, promotes a deeper understanding of their respective cultures.



## STRENGTHENING ENVIRONMENTAL PROTECTION

The NAFTA partners recognize the importance of protecting the environment for themselves and for future generations. The economic integration promoted by the NAFTA has spurred better environmental performance across the region by facilitating the transfer of green technologies and market-based solutions to environmental problems and, ultimately, by increasing national wealth. Through the North American Agreement on Environmental Cooperation (NAAEC), the partners are promoting effective enforcement of environmental laws in all three countries. The Commission for Environmental Cooperation (CEC), created by the NAAEC, has trilateral programs that facilitate the sharing of information, data, and best practices; promote transparency and public participation; and foster enhanced technical expertise and environmental policies among the three countries.



- In 2003, the CEC Council adopted the Strategic Plan for North American Cooperation in the Conservation of Biodiversity. This is a landmark of cooperation among the NAFTA partners to protect our shared environment, and under this Plan the NAFTA Parties will identify potential collaborative opportunities for biodiversity conservation that arise from regional trade.
- In 2002, the CEC Secretariat prepared a report on Environmental Challenges and Opportunities of the Evolving North American Electricity Market. In response, the Council established a North American Air Working Group to provide guidance and to facilitate future cooperative work on air related issues.





- In 2002, the Parties agreed to a cooperative agenda to protect children from environmental risks, and in 2003 the CEC Council agreed to publish North America's first report on environment and health indicators for children.
- Over the years, the CEC has prepared North American Regional Action Plans aimed at achieving sound management of chemicals. This program has resulted in the elimination of the production and use of chemicals such as DDT and chlordane within North America.
- In 2003, the CEC organized its second North American symposium on assessing the environmental effects of trade, which focused on energy and agriculture.
- In June 2003, the CEC Council agreed to work toward the development of a green purchasing action plan that is consistent with national and international obligations of the Parties.

## STRENGTHENING THE RESPECT FOR BASIC LABOUR STANDARDS

The North American Agreement on Labour Cooperation (NAALC) adds a social dimension to the NAFTA. Through NAFTA's labour supplemental agreement, the continental trading partners seek to improve working conditions and living standards, and commit themselves to promoting 11 labour principles to protect, enhance and enforce basic workers' rights. To accomplish these goals, the NAALC creates mechanisms for cooperative activities and intergovernmental consultations, as well as for independent evaluations and dispute settlement related to the enforcement of labour laws.



- Enforcement of labor laws in the NAALC countries has been greatly enhanced through an active program of cooperative activities in key areas such as occupational safety and health, protection for migrant workers, workforce development. The tripartite participation of labor union representatives, employers and government officials in the continuing dialogue among the NAALC countries also lends important balance to the policy discussions and programs.
- The Agreement establishes institutions and creates a formal process through which the public may raise concerns about labor law enforcement directly with governments. This process has led to 26 submissions having been filed and reviewed under the NAALC on issues such as freedom of association; the right to organize and bargain collectively, the right to strike; child labor; minimum employment standards; employment discrimination; occupational safety and health; and the protection of migrant workers.



- Over 50 trilateral cooperative programs have been carried under the NAALC including conferences, seminars, and technical exchanges focusing on labor relations, occupational safety and health, workplace equity, and workforce development.
- The three countries have established a Trilateral Working Group on Occupational Safety and Health. The purpose of the Working Group is to review issues raised in public submissions, formulate technical recommendations for consideration by the governments; develop and evaluate technical cooperation projects; and identify occupational safety and health issues appropriate for bilateral and trilateral cooperation.

## STRENGTHENING OUR COMMITMENT FOR FURTHER TRADE LIBERALIZATION

The success of the NAFTA in increasing prosperity in our countries through the creation of more and better paying jobs, has strengthened our interest in pursuing further regional and multilateral trade liberalization. The NAFTA Parties share the view that the multilateral trading system is a tremendous opportunity for all countries to strengthen their economies and societies. While the WTO's Cancun Ministerial meeting was a set-back, Canada, the United States and Mexico remain committed to the Doha Round of negotiations and will continue to work to achieve success.

At the regional level, the NAFTA Parties remain committed to the successful conclusion of the Free Trade Area of the Americas (FTAA) negotiations by January 2005. The FTAA will build on the existing free trade agreements and on the expanding links that the NAFTA countries have elsewhere in the hemisphere, allowing them take full advantage of emerging hemispheric markets.

In addition, at the bilateral level, each of our countries has built on the NAFTA experience to negotiate additional free trade agreements. Since 1994:

- Canada has concluded free trade agreements with Chile, Costa Rica and Israel, and is negotiating with four countries in Central America (El Salvador, Guatemala, Honduras and Nicaragua), the European Free Trade Association, and Singapore. Canada has agreed to initiate discussions toward bilateral free trade agreements with the Caribbean Community and Common Market (CARICOM), the Dominican Republic (DR) and the Andean Community (Bolivia, Colombia, Peru, Ecuador and Venezuela).





- The United States has concluded free trade agreements with Jordan, Chile and Singapore, and is currently negotiating with five countries of Central America (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), Morocco, Australia, and the Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa and Swaziland). The United States has announced its intent to enter into negotiations with the Dominican Republic and Bahrain.
- Mexico has concluded free trade agreements with Chile, the European Union, the European Free Trade Association, Israel, Bolivia, Colombia, Venezuela, Nicaragua, the Central America Northern Triangle (El Salvador, Guatemala, and Honduras), Costa Rica, and Uruguay. Mexico is currently negotiating a free trade agreement with Japan and Argentina.



**For more information about NAFTA, please visit our websites:**

**Canada: <http://www.dfait-maeci.gc.ca>**

**United States: <http://www.ustr.gov>**

**Mexico: <http://www.economia.gob.mx>**



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