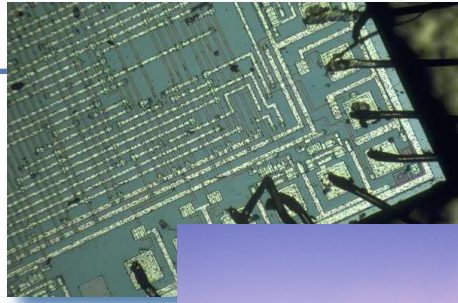




NAFTA
THE ROAD
AHEAD



North America: The World's Largest Free Trade Area



The North American Free Trade Agreement (NAFTA) created the world's largest free trade area, which today has 442.4 million people and a combined gross domestic product of USD 15.4 trillion. Since 1994, each of the NAFTA partners has experienced strong economic growth, increased trade and investment flows, and rising prosperity. Manufacturers, farmers, ranchers, and service providers have greater export opportunities, while consumers have enjoyed lower prices and more choices.

January 1, 2008 represents an important milestone in the trade and economic relationship between our three countries. On that day, the last scheduled NAFTA tariffs and quotas will be eliminated and North America will be joined in free trade.

Expanding Trade

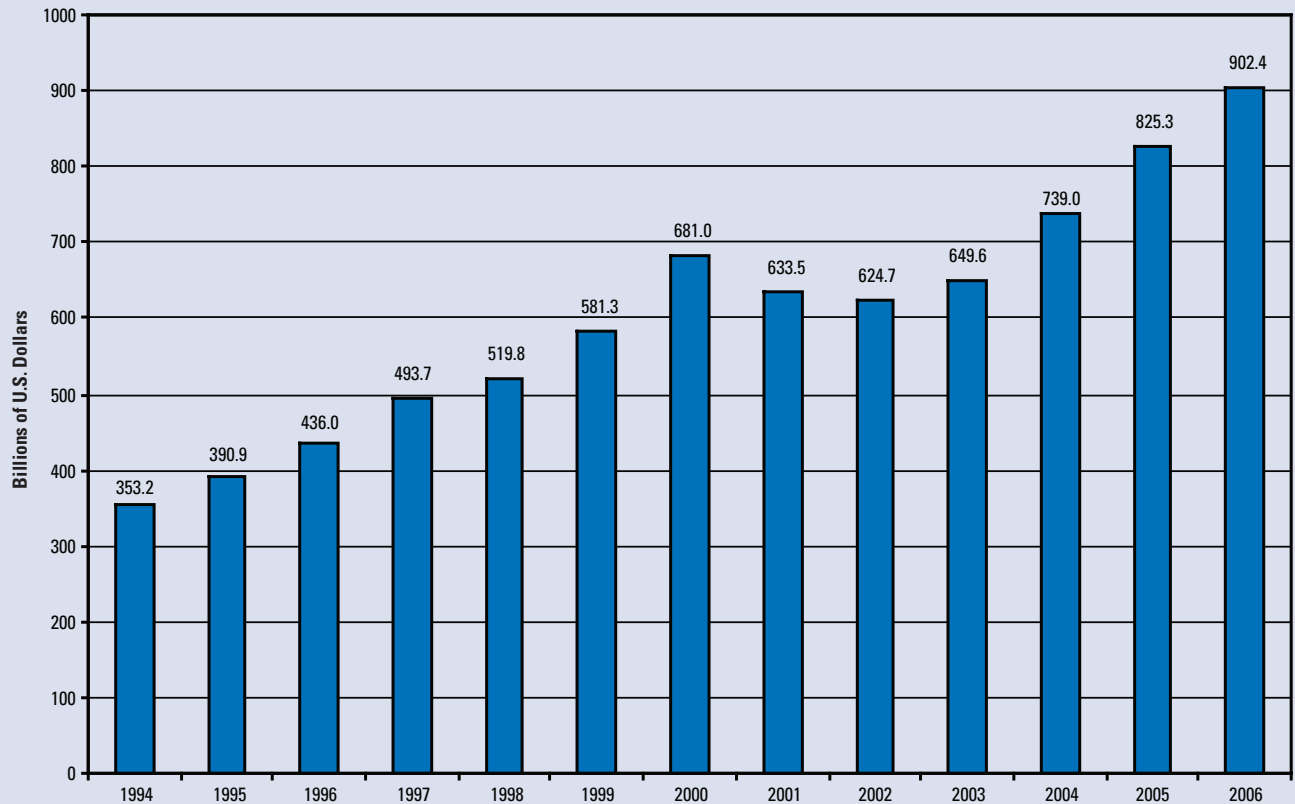
By lowering tariffs and trade barriers, the NAFTA has bolstered trade among the three countries. From 1993 (the year preceding the start of NAFTA implementation) to 2006, trade among the NAFTA countries almost tripled, from USD 304 billion to USD 903 billion. Each day the NAFTA partners conduct nearly USD 2.5 billion in trade. The NAFTA has also deepened business integration in North America.



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- ❖ Canada's exports to its NAFTA partners increased by 173 percent in value from pre-NAFTA levels. Exports to the United States grew from USD116.8 billion to USD316.8 billion, while exports to Mexico reached USD3.9 billion.
 - ❖ U.S. exports to Mexico and Canada grew by 157 percent, from USD 142 .0 billion (USD 41.6 billion to Mexico and USD 100.4 billion to Canada) to USD 364.5 billion (USD 134.2 and USD 230.3 billion, respectively).
 - ❖ Mexican exports to the U.S. grew by 392 percent, reaching USD212.3 billion. Exports to Canada also grew substantially from USD1.5 to USD5.2 billion, an increase of almost 237 percent.

A significant portion of North American trade is intra-industry or intra-firm trade. An automobile in North America might cross the border seven times as it moves through the production process.

Annual Trilateral Trade, 1994–2006



Attracting Investment

By establishing a strong, certain, and transparent framework for investment, the NAFTA creates an environment of confidence and stability required to make long-term investments. As a result, investment has poured into each of the NAFTA countries since 1994. In 2006, foreign direct investment (FDI) by each of the NAFTA partners in the other countries reached USD 533 billion, more than triple the USD 138 billion figure registered in 1993. NAFTA has also stimulated increased investment from countries outside of NAFTA. In 2005, North America received USD 151.3 billion in new investment, or 17 percent of the world's total. In 2005, the current stock of FDI in North America was USD 2.2 trillion, or 21.6 percent of the world's total.

*Expanding
Prosperity While
Enhancing Security*



Recognizing that our economic prosperity and security must be mutually reinforcing, the Canada, Mexico and the United States launched the Security and Prosperity Partnership (SPP) in 2005. The SPP builds upon existing trilateral mechanisms and relationships to enhance cooperation on issues that affect the security and prosperity of North America, and the quality of life of its citizens.

The SPP initiatives form an agenda for cooperation among the three countries of North America in areas such as combating crime and terrorism, competitiveness, and public health and safety. For example, the NAFTA Free Trade Commission manages the SPP initiative to facilitate the movement of goods. Since 2005, the NAFTA partners have implemented two sets of changes to liberalize the rules of origin and make it easier for traders to qualify for duty-free treatment under the NAFTA. The total value of trade covered by these changes exceeds USD 60 billion per year.

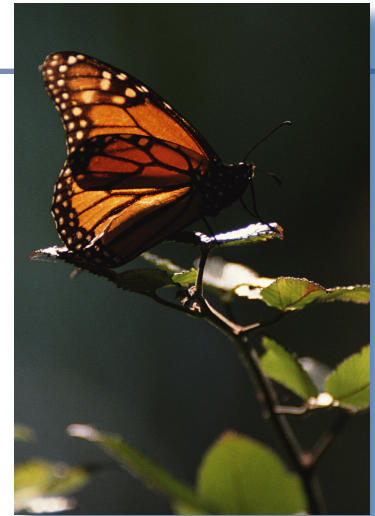


The NAFTA has demonstrated that trade liberalization plays an important role in stimulating economic growth. We reaffirm our commitment to a successful market-opening outcome for the World Trade Organization Doha Development Agenda, one that spurs meaningful new trade flows, economic growth and development. At the regional level, our vision remains of the hemisphere in a Free Trade Area of the Americas. At the bilateral level, each of our countries has built on the NAFTA experience to negotiate additional free trade agreements. Since 1994:

- ❖ Canada has free trade agreements with Israel, Chile, and Costa Rica, and has concluded free trade agreement negotiations with the members countries of the European Free Trade Association (EFTA: Iceland, Liechtenstein, Norway and Switzerland). Canada is currently in the process of negotiating free trade agreements with four countries in Central America (El Salvador, Guatemala, Honduras and Nicaragua), Singapore, Korea, and has recently launched free trade agreement negotiations with the Andean Community countries of Colombia and Peru, the Dominican Republic and the Caribbean Community (CARICOM).
- ❖ The United States has free trade agreements with Jordan, Chile, Singapore, Australia, Morocco, Bahrain, the Dominican Republic and five countries in Central America (CAFTA-DR: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica has not yet ratified the agreement). The United States has recently signed free trade agreements with Peru, Colombia, Panama, and Korea, and is currently negotiating a free trade agreement with Malaysia. The U.S.-Oman Free Trade Agreement will enter into force upon Oman's completion of its domestic procedures.
- ❖ Mexico has concluded free trade agreements with Chile, the European Union, the European Free Trade Association, Israel, Bolivia, Colombia, Nicaragua, the Central America Northern Triangle (El Salvador, Guatemala, and Honduras), Costa Rica, Uruguay and Japan.

Protecting the Environment

The NAFTA partners are committed to protecting the environment. Business integration 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. In addition, through the Commission for Environmental Cooperation (CEC), created under the North American Agreement on Environmental Cooperation, the NAFTA partners have promoted policies and actions that provide mutual benefits for the environment, trade, and the economy.



For example, the Council, the CEC's governing body, recently welcomed discussions among the three governments to promote long-term competitiveness and environmental sustainability in North America. It also supported efforts to improve cooperation between the CEC and the Free Trade Commission on issues concerning increased trade and improved environmental performance. In addition, the CEC recently completed a pilot program that helped small and medium-size businesses improve environmental performance, and thereby improve competitiveness. Participating businesses reported overall savings of nearly USD 2 million. The CEC is currently applying lessons learned in this program to improving the production chains in the automotive and electronics sectors, two of the 10 most globally competitive productive sectors in North America.

Respecting Labor Rights

The North American Agreement on Labor Cooperation (NAALC) adds a social dimension to the NAFTA. Through the supplemental labor agreement, the NAFTA partners seek to improve working conditions and living standards and to promote a broad set of labor principles, and commit themselves to promote compliance with and effectively enforce their labor laws. 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 national labor laws.



For more information about NAFTA, please visit our websites:

Canada: <http://www.nafta.gc.ca>
United States: <http://www.ustr.gov>
Mexico: <http://www.economia.gob.mx>



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*Trade and investment data
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