



NAFTA at Seven

*Building on a
North American Partnership*





NAFTA Works

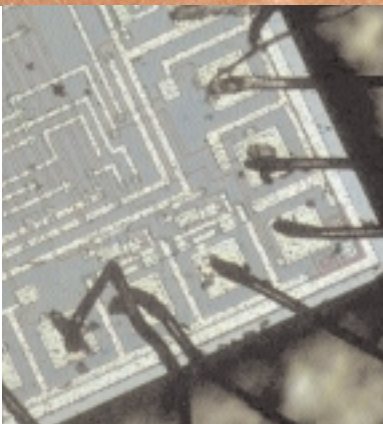
When NAFTA implementation began seven years ago, it created the world's largest free trade area, which now links 406 million people producing more than US\$11 trillion worth of goods and services. The dismantling of trade barriers and the opening of markets have led to economic growth and rising prosperity in all three countries. We remain committed to completing the implementation of NAFTA in order to facilitate further trade and investment in North America. Furthermore, we will build upon our success with NAFTA to cooperate more broadly amongst ourselves, within the hemisphere, and in global fora.



Expanded Trade and Investment

By lowering trade barriers and developing clear rules of commerce, NAFTA has expanded trade and investment opportunities in the United States, Canada, and Mexico. Since 1994, the total volume of trade between the three NAFTA parties has expanded from US\$297 billion to US\$676 billion in 2000, an increase of 128 percent. Each day the NAFTA parties conduct nearly US\$1.8 billion in trilateral trade.

- Canada's merchandise exports to its NAFTA partners have grown much faster than merchandise exports to the rest of the world. From 1993 to 2000, the U.S. dollar value of Canada's merchandise exports to the United States and Mexico rose by 109 percent, from US\$112 billion in 1993 to US\$235 billion in 2000. This 109 percent growth was substantially higher than that of 29 percent in exports to the rest of the world over the corresponding period.
- Likewise, Mexico exported US\$154 billion to its NAFTA partners in 2000, 238 percent more than in 1993, the year prior to the start of NAFTA implementation. In fact, over the past seven years, export growth has contributed to more than half of real GDP growth in Mexico.
- U.S. goods exports to NAFTA partners more than doubled between 1993 and 2000, significantly higher than export growth of 52 percent for the rest of the world over the same period.



Since 1994, investment in the NAFTA countries has been dynamic and growing because of a legal framework that provides certainty and transparency. As the three economies have grown, North America has become a magnet for foreign direct investment from around the world. By 1999 the stock of foreign direct investment in NAFTA had reached US\$1.3 trillion, or about 28 percent of the world total. Of this amount, US\$1.1 trillion was located in the United States, US\$166 billion in Canada and US\$72 billion in Mexico. Such foreign direct investment has contributed to economic development and growth throughout North America.

- For the United States the stock of foreign direct investment increased by over US\$500 billion between 1993 and 1999.
- Foreign direct investment in Canada has grown 57 percent from 1993 to 1999.
- Since 1994, Mexico's annual average capital inflow is three times the annual amount received in the seven years prior to the Agreement, and the total stock of investment in Mexico has grown by 72 percent.



Growth in Employment

This rise in trade has led to increased employment and prosperity in all three countries. Since NAFTA took effect, employment has risen in all three NAFTA countries: During NAFTA's first 7 years:

- Employment in Canada grew by 16 percent, generating 2.1 million new jobs
- Employment in Mexico grew by 28 percent, generating 2.7 million jobs
- Employment in the United States grew by 12 percent, generating 15 million jobs



In Mexico, the export sector is the leading generator of job creation: more than half of the new jobs created between 1994 and 2000 were related to export activity. In 2000, U.S. jobs supported by merchandise exports to NAFTA countries totaled an estimated 2.9 million jobs, up over 914,000 jobs since 1993, the year prior to the entry into force of the Agreement.



Economic Benefits

A principal effect of NAFTA has been to gradually shift capital and new job opportunities in all three countries toward more productive uses. NAFTA has contributed to raising standards of living. Trade has led to the development and dispersion of technology, greater productivity, and to the creation of more and better paying jobs in all three countries. In the United States jobs supported by the export of goods pay wages that average 13 to 18 percent above the U.S. national average wage. In Mexico, export-oriented manufacturing jobs pay wages nearly 40 percent higher than the rest of the manufacturing industry.

Both households and businesses have further benefitted as tariff elimination on NAFTA imports has helped moderate prices on consumer goods and inputs into production. Liberalized trade is a boon to manufacturers, who benefit from a greater supply of inputs at prices that enable them to be globally competitive. In fact, during the first seven years of NAFTA implementation, production in North America has grown by over 30 percent, compared to slightly less than 20 percent increase in the preceding seven years.

NAFTA has lowered costs and expanded choices for consumers in all three countries. Lower tariffs mean that families pay less for the products that they buy. Trade liberalization has made goods and services more accessible. By 2004, nearly all trilateral trade will be duty free, further spreading the benefits of free trade.

Protecting the Environment

The NAFTA partners recognize the importance of protecting the environment for future generations. Through the North American Agreement on Environmental Cooperation (NAAEC), we are promoting effective enforcement of environmental laws. The Commission for Environmental Cooperation (CEC), created by the NAAEC, has programs that enable the development of regional information, vast technical expertise, and policies that allow it to implement trilateral cooperative programs. The CEC has addressed issues related to trade in sustainable agricultural products; the banning of dangerous chemicals, such as DDT, in North America; development of environmental management system guidelines for businesses; and a strategy to conserve wildlife and natural ecosystems in North America.

In addition, the United States and Mexico cooperate through the Border Environment Cooperation Commission (BECC) and North American Development Bank (NADBank) to develop and finance environmental infrastructure in the U.S.-Mexico border area. Since 1994, the institutions have been instrumental in the development of over 30 projects, now complete or under construction, with an aggregate cost of nearly US\$1 billion. These projects, when complete, will serve about 9 million residents of the United States and Mexico, with new projects being developed continually.

Respecting Basic Labor Standards

Through the North American Agreement on Labor Cooperation (NAALC) the NAFTA partners promote the effective enforcement of their labor laws. They seek to improve working conditions and living standards, and commit themselves to promoting basic labor standards in the three countries. Public submissions made under the NAALC have led to public hearings, ministerial consultations, and action plans to address concerns. In addition, NAFTA partners have established cooperative programs and technical exchanges on industrial relations, health and safety, child labor, gender, and migrant worker issues.



The Road Ahead

The NAFTA partners are committed to completing the full implementation of the Agreement according to the established schedule. Seven years of expanded trade, increased employment and investment, and enhanced opportunity for the citizens of all three countries have demonstrated that NAFTA works, and will continue to work.

The partners will build upon the success of the Agreement by expanding cooperation in regional and global fora, such as the negotiations for a Free Trade Area of the Americas (FTAA), Asia-Pacific Economic Cooperation (APEC), and the World Trade Organization (WTO).

"We have come together as leaders of Canada, Mexico, and the United States, North American neighbors who share common values and interests. The ties that link us — human, social, cultural, and economic — are becoming stronger. Fully realizing the tremendous potential of North America is a goal we all share."

— Joint Statement by Prime Minister Jean Chretien, President Vicente Fox, and President George Bush at the Summit of the Americas, April 22, 2001

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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