

*The NAFTA as a Development Instrument:*

The NAFTA is not only good trade and economic policy, it is also good foreign and development policy. By helping countries to adopt the necessary tools to restructure and modernize, the development of new market opportunities for Canadian firms and workers will be promoted. In addition, the conditions for positive human, environmental and community development in countries less prosperous than our own will be created.

*Canada can compete with Mexico better inside the NAFTA than outside. Our analysis shows that, although Mexican labour costs are 7.5 times smaller than Canadian costs, Canada's workers have productivity levels 6.5 times higher than Mexico's. The cost of capital is lower in Canada, and capital productivity is higher. Canada thus has a competitive edge in the production of high-productivity and capital-intensive goods, while Mexico has a competitive advantage in the production of goods intensive in low-skilled labour. The NAFTA will put all member countries on an equal footing, which will be to Canada's advantage.*

Department of Finance, *The NAFTA: An Economic Assessment  
from a Canadian Perspective*