Table 1.4 also provides other information on the three countries—most notably, each country's ranking on the United Nation's Human Development Index (HDI), developed in the late 1980s by the United Nations Development Programme (UNDP) and introduced in its 1990 annual report. It has since been refined and now combines three basic components of human development: longevity (life expectancy), knowledge (adult literacy and mean years of schooling), and standard of living (real GDP per capita adjusted for local cost of living, purchasing power parity). The UNDP holds that, with its latest refinements, the HDI provides a better measure of a country's socioeconomic progress than does simple GNP[7] per capita. Furthermore, the HDI can be used to evaluate progress over time and to guide policy making, and it provides a wider basis for comparing the experiences of different countries. In this context, note that the United States ranks ninth, while Canada ranks first and Mexico fifty-second, reflecting their enormous disparities not only in income but also in health and education.

Given these asymmetries in the trilateral relationship, the long history of conflict between the United States and its neighbors, and the lack of popular support for the NAFTA in the three countries, we might inquire as to exactly what did bring these three economies together in the early 1990s to draw up this agreement. Many factors, both internal and external, contributed. First, the election of a conservative, free trade proponent (Ronald Reagan) as U.S. president in 1980 and the election of his ideological equivalent in Canada (Brian Mulroney in 1984) certainly was important in bringing the United States and Canada together to negotiate the CUSFTA in the late 1980s. Then when Mexico elected Carlos Salinas de Gortari in 1988, another free trader (educated in the United States), the stage was set, at least politically, for such an agreement.

From an economic perspective there are several factors worth mentioning here. First, the case can be made that the relatively weak competitive positions of all three countries vis-à-vis key European and Asian economies forced the economies of North America to come together to defend their increasingly vulnerable domestic and export markets against foreign suppliers. Another factor was that North America was, in fact, becoming more integrated economically, and there seemed to be a growing consensus in

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[7] GNP (Gross National Product) is very similar to GDP (Gross Domestic Product). GDP refers to all outputs produced within the geographic boundaries of a country, by both citizens and foreigners. GNP excludes output produced by foreigners living or working in the country.