

sort of free trade arrangement since the mid-1960s, while the United States and Mexico have attempted to manage their trade relationship since the mid-1980s (see table 1.1).

Nevertheless, it is important to note that what is now emerging as a “trilateral” relationship is being created from two “bilateral” relationships that exists between the United States and Canada and between the United States and Mexico, respectively. The reality is that the bilateral relationship between Canada and Mexico is not now nor ever will be as important quantitatively or qualitatively as the other two. This is mainly due to the fact that the U.S. economy dwarfs those of Canada and Mexico and therefore serves as the “hub” in a “hub-and-spoke” relationship based as much on economic realities as on geography.

*INSERT TABLE 1.1 ABOUT HERE*

This relationship is clearly illustrated in tables 1.2 and 1.3, which provide an overview of North American trade relationships for the years 1989 (the initial year of the CUSFTA) and 1993 (the most recent data available). For example, table 1.3 shows that in 1989 U.S. exports to Mexico and Canada were approximately \$78 billion and \$25 billion, respectively, while exports between Canada and Mexico totaled less than \$1 billion combined. It is roughly the same story if you look at imports among the three countries; the Canada-Mexico relationship simply isn't as strong as the U.S.–Canada or U.S.–Mexico link, but a comparison of the two tables demonstrates that the Canada-Mexico relationship is growing rapidly.

*INSERT TABLES 1.2 AND 1.3 ABOUT HERE*

The other data presented in table 1.4 reveal why this is so. In 1994 the U.S. population was approximately ten times as large as Canada's and three times that of Mexico, while the absolute size of the U.S. economy was also ten times that of Canada but nearly twenty times that of Mexico. Thus the United States is both the largest producer/exporter and the largest market/importer in the North American region.

*INSERT TABLE 1.4 ABOUT HERE*