

NAFTA AT 10

A decade after the North American Free Trade Agreement was signed, its effects are being felt throughout Canada's economy—and supermarkets.

In supermarkets and department stores from coast to coast, Canadian consumers are faced with almost endless choices. But few are likely to be aware that both the range and affordability of products are linked to Canada's membership in the world's largest trading arrangement.

That's been increasingly so in the decade since Canada, Mexico and the United States entered into the landmark North American Free Trade Agreement, or NAFTA.

With a combined gross domestic product of US\$11 trillion among its members, representing about 30 percent of the world's total, NAFTA ranks as an economic and diplomatic success. The access it has provided to the vast U.S. market has made Canada the envy of trading nations around the world.

Not only does this year mark the 10th anniversary of NAFTA, it is also the 15th anniversary of its predecessor, the Canada-U.S. Free Trade Agreement. Both agreements have eliminated tariffs on most merchandise, set out clear-cut trading rules and created a larger, more integrated market. This makes North America one of the most efficient regions in the world in which to conduct business. Among the biggest winners of all have been Canadian consumers.

"Canadian shoppers win two ways," says John Curtis, the senior economist with International Trade Canada. "First, they have more choice because more goods and services are being imported. Second, prices are lower because NAFTA has made all three trading partners more competitive."

But it's not only consumers who benefit from freer flowing trade: it's the economy overall. Through NAFTA, Canada has consolidated its position as the largest trading partner of the U.S. In 2003, nearly 80 percent of Canada's total exports went south of the border, up from 71 percent in 1989. The importance of the U.S. as an export market has increased for most Canadian provinces and nearly every industry.

"NAFTA has been a powerful force for Canadian manufacturers," says Perrin Beatty, President of the Canadian Manufacturers & Exporters, adding that predictable trade rules and the elimination of tariffs have created greater demand in the U.S. for Canadian-made parts and merchandise. "While there was a period of

adjustment for manufacturers, NAFTA on balance has been enormously positive for Canada and has proven that we can compete."

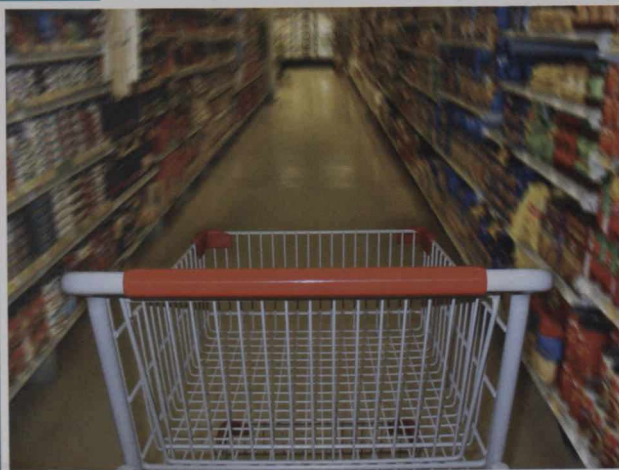
The generally rosy trading relationship is marred by occasional trade disputes that can have a serious impact on affected sectors, as in the case of Canadian exports of softwood lumber.

Says International Trade Minister James Peterson, "Disputes are the exception rather than the rule. Ninety-five percent of Canada-U.S. trade is problem free." Nevertheless, during the recent visit to Canada by President George W. Bush, the two countries agreed to a joint study of the NAFTA process for settling disputes with a view to improving it.

Spurred on by NAFTA's success, Canada has been pursuing further trade opportunities throughout the hemisphere and beyond. Bilateral free trade agreements took effect in 1997 with Chile and in 2003 with Costa Rica. Canada is currently negotiating agreements with El Salvador, Guatemala, Honduras and Nicaragua. As well, Canada, Mexico, the U.S. and the other 31 democratic countries of the hemisphere are now working toward establishing a Free Trade Area of the Americas.

Such agreements can only be good for Canada, with its relatively small population and the importance of trade for its economic prosperity.

"There is very little doubt that our country's fiscal health is linked to freer international trade and investment," Curtis adds. 🍀



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