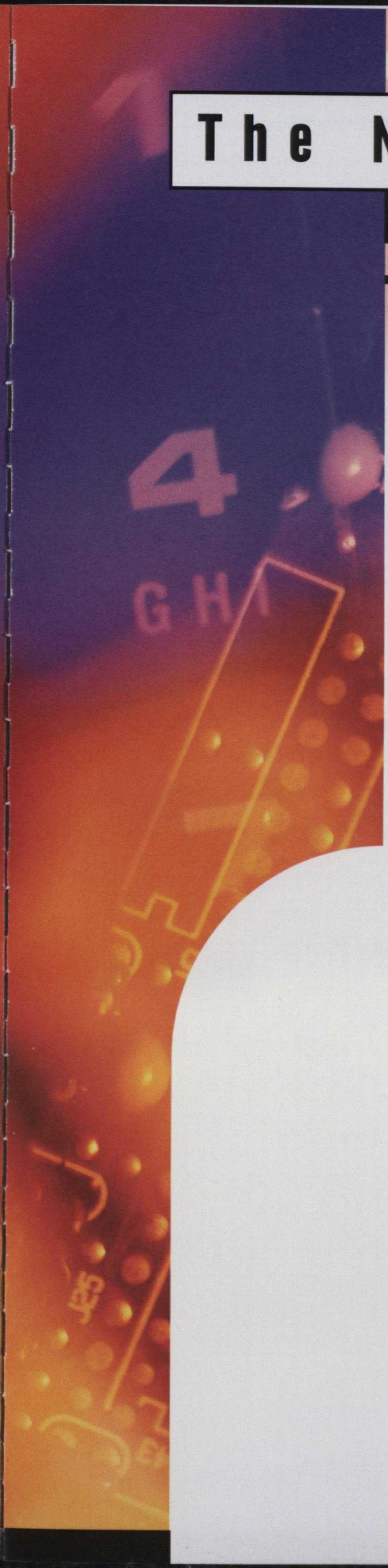

The NAFTA at Five

Overview

The North American Free Trade Agreement (NAFTA) entered into force in Canada, the United States and Mexico on January 1, 1994. Designed to foster increased trade and investment among the partners, the NAFTA contains an ambitious schedule for tariff elimination and reduction of non-tariff barriers, as well as comprehensive provisions on the conduct of business in the free trade area. These include disciplines on the regulation of investment, services, intellectual property, competition and the temporary entry of business persons.

The NAFTA did not affect the phase-out of tariffs between Canada and the U.S. under the Canada-U.S. Free Trade Agreement (FTA), which was completed on schedule on January 1, 1998. As of that date, virtually all tariffs on Canada-U.S. trade in originating goods were eliminated. Some tariffs remain in place for certain products in Canada's supply-managed sectors (e.g. dairy and poultry), as well as sugar, dairy, peanuts and cotton in the United States. The NAFTA provides for nearly all tariffs to be eliminated on trade in originating goods between Canada and Mexico by January 1, 2003. A second round of "accelerated" tariff reductions, covering some $1 billion in NAFTA trade, was implemented in August 1998. In short, most tariffs have been removed for NAFTA-eligible trade.

At the most recent NAFTA Commission meeting in April 1998, Ministers launched a comprehensive "Operational Review" of the NAFTA work program to examine the structure, achievements, mandates and future priorities of the NAFTA work program. Results of this review, which can be found on the Operational Review chart on the Department of Foreign Affairs and International Trade website, indicate that NAFTA implementation is on track with some exceptions such as certain land transportation services (i.e. bus and trucking services) where commitments have yet to be implemented. Fulfilling these overdue commitments is a top priority for all three countries. (Details of the principal achievements since the implementation of the NAFTA are provided in the preceding "Scorecard.")

Turning to the economic picture, Canadian producers are better able under the NAFTA to realize their full potential by operating in a larger, more integrated and efficient North American economy. Consumers benefit from this heightened competition with better products, services and prices. While it is difficult to isolate the precise effects of any trade agreement on jobs and growth, it is clear that the NAFTA has had a significant positive impact on the Canadian economy. Trade and investment between