



### 3. NORTH AMERICAN FREE TRADE AGREEMENT

The North American Free Trade Agreement entered into force for Canada, the United States and Mexico on January 1, 1994. Designed to foster increased trade and investment between the NAFTA partners, the Agreement 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, government procurement, services, intellectual property, competition and the temporary entry of business persons. On tariff reduction, the NAFTA does not affect the tariff phase-out of the Canada-U.S. Free Trade Agreement (FTA), under which tariffs will be phased out by 1998; and for trade between Canada and Mexico, tariffs will be virtually eliminated by January 1, 2003.

The NAFTA has improved Canadian access to U.S. and Mexican markets and enhanced the attractiveness of the Canadian economy to foreign investors. Since the NAFTA's entry into force, Canadian exports to these markets have shown impressive growth, and foreign direct investment in Canada from all sources has increased markedly.

More important, the NAFTA and its predecessor, the FTA, have helped create a more open economy, which has stimulated significant increases in productivity and specialization within industries in areas such as electrical and electronic products, chemicals, tools and beverages. The result has been improved competitiveness of Canadian exports of both goods and services.

The NAFTA envisages further work to help fully achieve the objective of a free trade area. Over 30 working groups and committees were established under the Agreement to further facilitate trade and investment, and to ensure effective implementation and administration of the NAFTA's rules. Canada is pursuing work on, in particular, rules of origin, customs, agricultural trade and subsidies, standards, government procurement, temporary entry of business people, services, and trade remedies. These working groups and committees report to the NAFTA Commission, comprising the trade ministers of the three NAFTA partners. The NAFTA working groups and committees provide a forum for exploring ways of further liberalizing trade between members, for example, accelerated tariff reductions on specific