

1.2 NAFTA IN A GLOBAL CONTEXT

Measured by gross domestic product (GDP) the NAFTA area is the world's largest trading bloc, representing 32.7 percent of world GDP or US\$11.4 trillion. The E.U., at 25.8 percent of global economic output, lags considerably. Even with the addition of ten new members next year, the E.U. GDP will increase from its current US\$7.9 trillion to US\$8.3 trillion, still well behind the NAFTA region. Asia, although not a formal trading bloc, has many trade linkages as shown by its high level of intra-regional trade – comparable to that of formal trading blocs, and accounts for another 23.0 percent of global output.⁴ This triad combined accounts for 85.9 percent of global output.

Figure 1.2.1

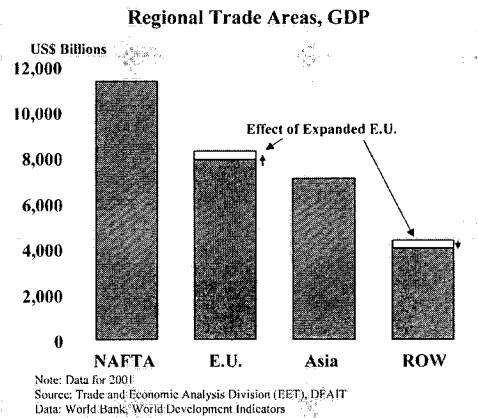
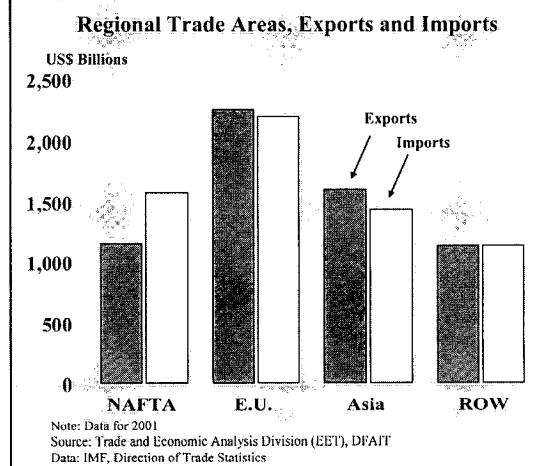


Figure 1.2.2



Measured by trade volumes, the E.U. dominates: it accounts for 36.8 percent of global exports and 34.8 percent of imports, compared to 18.8 percent and 24.8 percent for NAFTA. NAFTA ranks second, behind the E.U. for imports, but ranks third, only marginally above the rest of the world (ROW) for exports, a reflection of the U.S.'s huge current trade deficit.

Using total trade, however, somewhat overstates the size of the E.U. and other regions relative to NAFTA. With only three member countries, much of NAFTA's exchanges occur within countries (mostly in the U.S.) and are therefore not considered trade. As can be seen

from the chart below, this fact is reflected in the much higher share of intra-E.U. trade compared to NAFTA: 60.7 percent v. 46.3 percent. By using only external exports, the NAFTA region is the world's largest importer but comes after the E.U. and Asia in terms of exports.

⁴ Based on the IMF definition of Asia with the addition of Japan.