



## 4 *Opening Doors to the Americas*

### *North American Free Trade Agreement*

January 1, 2004, marked the 10th anniversary of the entry into force of the North American Free Trade Agreement (NAFTA). Designed to keep pace with emerging challenges through its ongoing work program, NAFTA has established a strong foundation for future growth and has provided a valuable example of the benefits of trade liberalization. Total trade between Canada, the United States and Mexico has increased substantially since NAFTA was implemented. Canada's total merchandise trade with the United States and Mexico was approximately \$545 billion in 2003.

Through NAFTA, Canada has consolidated its position as the largest trading partner of the United States. Canadian merchandise exports to the United States grew at a compounded annual rate of 8.6% between 1990 and 2003. With bilateral trade in 2003

reaching \$14 billion, Mexico is now Canada's sixth largest export destination and ranks fourth as a source of imports worldwide. In terms of Canada's total merchandise exports, 87% goes to our NAFTA partners.

Trade in services has also increased through NAFTA. In 2001, Canada's trade in services with the United States and Mexico was approximately \$78 billion, up from \$46 billion in 1994 (an average annual compounded growth rate of 8%). Since 1997, the two-way trade in services between Canada and Mexico has grown at a compounded annual rate of 11.6%, to reach over \$1.4 billion. Our trade in services with the United States reached \$74 billion in 2003, up from \$42.3 billion in 1993. In terms of Canada's total services exports, approximately 60% goes to our NAFTA partners.

In terms of investment, NAFTA has also had a positive impact on its parties, including Canada. Since 1994, annual foreign direct investment inflows into Canada averaged \$23 billion, 6.6 times the average registered over the three pre-NAFTA years of 1991 to 1993. Total foreign direct investment in Canada reached \$349 billion in 2002, of which more than 64% came from our NAFTA partners. Foreign direct investment in Canada from the United States increased to \$224 billion in 2002. Canadian direct investment in its NAFTA partners also grew, reaching \$202 billion in the United States in 2002 and \$3.3 billion in Mexico.

The NAFTA framework will continue to offer an effective and efficient tool for further enhancing Canada's trade and economic relations with the United States and Mexico.

#### **Looking Forward**

NAFTA, with its ongoing working groups and implementation commitments, is in many ways a living document, and it holds much scope for achieving further market access improvements. The Government of Canada will continue to identify remaining impediments to trade and investment and to conduct the work needed to reduce them further through NAFTA. The government's priorities within this context are those activities that can have an important positive effect on business.