Nevertheless, as a small country, Canada is more dependent on international trade than is the United States and generally open to the concept of adding more members—trading partners—to the NAFTA. Not only is a multilateral agreement likely to increase Canadian exports, but more NAFTA members would dilute the bargaining power of the United States—the largest and most powerful of the three countries—in negotiating the agreement and settling trade disputes.

Clearly the first two years of NAFTA's implementation have been difficult for the three countries, and much of the blame has been directly or indirectly placed on the agreement itself. While the NAFTA does not seem to be in danger of being dismantled at this time, a "widening" of the agreement to include more members or a "deepening" to further integrate the three countries certainly appear less likely than in January 1994.

The NAFTA Debates

The road to NAFTA was paved with harsh debates. Critics from the right and the left in all three countries argued, usually for different reasons, that freer trade would reduce national sovereignty and economic autonomy and give large multinational corporations (MNCs) more freedom to exploit the human and natural resources of member countries without regard for the needs of the populace or the environment. Proponents, however, maintained that freer trade would bring increased competition and efficiency, higher living standards, and a more competitive North American economy, better able to compete in global markets. Understanding these different perspectives and the events that led up to the implementation of NAFTA is essential to understanding what it is and where it might go in the future.

From the perspective of most market-oriented economists, it is quite natural that the three countries of North America negotiated, signed, and ratified a treaty to formally integrate their economies. The only question they might ask is, What took them so long? After all, from a purely economic point of view, the fact that Canada, Mexico, and the United States are close neighbors, with relatively complementary economies,[4] implies that

[4] Economic complementarity usually refers to the countries producing different types of goods and/or using different production techniques. For example, Mexico tends to specialize in basic manufacturing utilizing labor-intensive manufacturing techniques, while the United States tends to specialize in advanced manufactured products and services using capital- and knowledge-intensive production techniques.