

Negotiations to achieve Chile's accession to the NAFTA were officially launched in June 1995. Canada has been an active proponent of Chile's accession to the NAFTA. Stronger economic ties with Chile will create more opportunities for trade and investment in this high-growth market.

In view of the present lack of fast-track authority for trade negotiations in the United States, Canada and Chile

successfully completed negotiations on a interim bilateral free-trade agreement and parallel agreements on environmental and labour co-operation, which will serve as a bridge to Chile's eventual accession to the NAFTA. Mexico and Chile currently are negotiating revisions to strengthen a bilateral trade agreement between them.

TRADE RESULTS

In the wake of the implementation of the Agreement on January 1, 1994, total trade between NAFTA member countries began expanding at unprecedented rates. The average annual increase in total trade for the three years ending on December 31, 1996 was 13.8 percent.

In 1996 Canada's total trade with NAFTA partners increased by 5.8 percent to reach \$388 billion. Strong export performance contributed to a merchandise trade surplus with those partners to an all-time high of \$41.2 billion — and is an important contributing factor in reducing current-account deficits that have prevailed for

more than a decade. Merchandise export surpluses have very nearly offset Canada's deficit in services and non-merchandise transactions with its NAFTA partners.

In particular, the increase in Canadian exports since the implementation of the NAFTA has led to a steady narrowing of the overall current-account deficit. Exports have been especially strong in automotive equipment (trucks, cars and parts), machinery and industrial goods, aluminum, iron ore and fertilizers. Reflecting this trend, the share of exports to NAFTA partners in Canada's total exports has increased from 80.8 percent in 1993 to 81.5 percent in 1996.