

North American Free Trade Agreement (NAFTA)

The North American Free Trade Agreement entered into force on January 1, 1994. Designed to foster increased trade and investment among the partners, NAFTA has brought economic growth and rising standards of living for people in all three countries. As the 10th anniversary of NAFTA approaches, it is clear that the agreement has proven its value as a means of stimulating trade, investment and competitiveness.

NAFTA's ambitious tariff-elimination schedule was completed on January 1, 2003, when the final scheduled round of cuts in tariffs applied to Canada-Mexico and U.S.-Mexico trade was implemented. Canada-U.S. trade has been virtually tariff-free since January 1, 1998.

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 \$579.8 billion in 2002. Two-way merchandise trade between Canada and Mexico grew 3.4% to reach \$15.1 billion in 2002. Our merchandise trade with the United States reached \$564.6 billion in 2002. In terms of Canada's total merchandise exports, 88.1% goes to our NAFTA partners.

Trade in services among Canada, the U.S. and Mexico has also grown significantly over the first six years of NAFTA (for which data are available). In 2000, Canada's trade in services with the United States and Mexico was approximately \$76 billion, up from \$46 billion in 1994 (an average annual growth of 8.8%). During the same period, the two-way trade in services between Canada and Mexico has grown at an annual rate of 12.9%, to reach over \$1 billion. Our trade in services with the United States reached \$75 billion in 2002, up from \$42.3 billion in 1993. In terms of Canada's total services exports, 61% goes to our NAFTA partners.

Canada's attractiveness to foreign and domestic investors has also improved since NAFTA entered into force in 1994. Total foreign direct investment

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into Canada reached \$321 billion in 2001, more than 67% of which comes from our NAFTA partners. Foreign direct investment into Canada from the United States increased to \$215 billion in 2001, while investment from Mexico reached \$138 million in 2000. Canadian direct investment in the NAFTA countries has also increased, reaching \$198 billion into the United States in 2001 and \$4 billion into Mexico.

The NAFTA Commission, which directs the implementation of NAFTA, consists of Canada's Minister for International Trade, Pierre Pettigrew, the U.S. Trade Representative, Robert Zoellick, and Mexico's new Secretary of the Economy, Fernando Canales Clariond. At the last Commission meeting on May 28, 2002, the trade ministers reaffirmed their determination to complete the full implementation of the agreement according to the established schedule, and directed officials to review the prospects for additional trilateral work that could further stimulate trade. The ministers also directed experts to identify shared priorities concerning the operation of Chapter 11 (Investment) and to continue developing recommendations as appropriate.