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The North American Free Trade Agreement: Time for a Change?

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EXECUTIVE SUMMARY:

1. **NAFTA was "state of the art" when promulgated 15 years ago, but needs renovation to take account of:**
   - **Important changes in the world economy;**
   - **Lessons learned and improvements made in subsequent trade negotiations.**
2. **NAFTA has generally met the commercial objectives set by the negotiators but not the exaggerated promises of politicians in all three countries.**
3. **However, NAFTA's critics are correct in arguing that governments have not pursued domestic policies that:**
   - **Enable firms and workers to take full advantage of the opportunities created by the pact, and**
   - **Help manage adjustment to the new competitive environment so that political support for the pact can be sustained.**
4. **President-elect Obama's statements about one million job losses related to NAFTA are consistent with the high-end of published studies of gross job loss cumulated over a decade. Compared to the large-scale churning in the US labor market—where 17.5 million jobs each year are displaced and more than 18 million jobs created—NAFTA accounts for less than 1 percent of annual job churn.**
5. **NAFTA is a living document and often has been changed to implement needed reforms and/or clarifications of existing obligations. "Updating" NAFTA is both**

necessary and desirable, and can be pursued in a manner that ensures that it contributes to sustainable economic growth in all three countries.

6. **The NAFTA partners face new economic and political challenges that threaten to impede existing benefits from regional economic integration, particularly as countries implement new measures to address border security, climate change concerns, and energy security. These are areas where the NAFTA countries need to work together more closely in the coming years.**
7. **NAFTA provisions on labor and the environment also should be updated to incorporate the changes mandated by the Congress-Bush administration accord of May 2007 and already included in the US-Peru trade pact.**
8. **Language matters. Canadian and Mexican officials are very sensitive to calls to "reopen" NAFTA for fear that existing liberalization commitments would be withdrawn. "Upgrading" or "retooling" better conveys the purpose of ensuring that NAFTA helps each country meet the competitive challenges of the 21st century.**

The North American Free Trade Agreement (NAFTA) entered into force on January 1, 1994. The pact was "state of the art" when promulgated. But the world economy has changed significantly since then and it is fair to ask: Does NAFTA need to be revised?

The incoming Obama administration will undoubtedly argue for such an initiative, since the President-elect criticized NAFTA's provisions on, inter alia, labor and the environment during the US election campaign. The Democratic critique elicited a sharp response from Canadian and Mexican officials, who countered that "if it ain't broken, don't fix it" but if opened that they would demand revisions of NAFTA rules on energy, agriculture, and trucking.

This paper argues that both sides are correct! NAFTA has met the ambitious goals set by its architects, though not the exaggerated promises of politicians in each of its member countries. Integration of the three economies has advanced—though the gains have been distributed unevenly and mask adjustment problems besetting workers and firms in each country. At the same time, each NAFTA member subsequently negotiated trade pacts with other countries that significantly improve upon the NAFTA model, and the post-September 11 era requires cooperation in areas that were off the radar of the original NAFTA drafters. NAFTA could use some renovation to restore it to its world-class status.

In other words, NAFTA has worked well (albeit with a few bumps along the road) but now needs to be retooled. I believe that "updating" NAFTA is both necessary and desirable and can be pursued in a manner that ensures that it contributes to sustainable economic growth in all three countries.

I divide my analysis into two parts. First, I summarize the economic performance of the NAFTA partners over the past 15 years. Second, I address key challenges facing the three economies and suggest ways that they can work together to confront them.

NAFTA'S RECORD IN BRIEF

The architects of the North American Free Trade Agreement had multiple objectives, as defined in NAFTA Article 102:

- Promote trade and investment;
- Increase employment and improve working conditions and living standards;
- Manage trade relations and disputes;
- Strengthen and enforce labor and environmental laws and regulations;
- Cooperate in regional and multilateral trade forums.

This section examines economic growth, trade and investment, and employment in the region. In addition, we summarize what has been done under NAFTA's side agreements on labor and on the environment.

When reviewing NAFTA's record, it is worth noting that NAFTA did not provide guidelines for the distribution within each country of the gains from closer integration. Economic integration produces winners and losers—not every worker or community benefits. While NAFTA encouraged structural reform of the three economies, it left the task of managing the adjustment process to each government, and national adjustment programs have been generally limited and under-funded—contributing to worker discontent.

In addition, NAFTA was not designed to cure many of the ills of each society—including high levels of illegal immigration, trafficking of illegal drugs, and growing income disparities within countries. Income disparities between northern and southern Mexican states are particularly pronounced. Some of these problems are correlates of economic integration, even though NAFTA is only a small part of the story.

Economic Growth

NAFTA has made a positive contribution to growth in output and employment in the region over the past fifteen years. Quantifying the impact is an analytic challenge, but suffice it to say that NAFTA—like any trade agreement—is a small driver of national growth.

The US and Canadian economies have performed well during the NAFTA era, growing by average annual rates of 3.0 percent and 3.1 percent, respectively (see table 1).

By contrast, Mexican real GDP growth has averaged only 2.9 percent per annum since 1994—well below its capacity (which the OECD estimated at about 6 percent a year) and well below what it needs to achieve to confront the substantial economic and social problems in Mexican society. Part of the problem stems from the deep recession that Mexico endured soon after NAFTA took effect, though Mexico's relatively rapid recovery clearly benefited from the open access to the US market. Mexico's adjustment burden was substantial and the government response inadequate. Its nascent democratic regime has been unable to produce tax and energy reforms that would generate new resources to fund investments in physical infrastructure and social services, including education. These factors have limited Mexico's ability to take full advantage of NAFTA and have put Mexican industries at a competitive disadvantage against foreign firms, particularly from China.

Trade and Investment among NAFTA Partners

NAFTA has contributed to substantial growth in trade among the three countries. Total trilateral merchandise trade (both imports and exports) rose more than three-fold since 1993; in 2007 intra-NAFTA merchandise trade exceeded $900 billion and will approach $1 trillion in 2008—up from $300 billion in 1993. North America's two-way merchandise trade with the rest of the world has increased three-fold as well since 1993. US-Mexico trade grew particularly rapidly (almost a 300 percent increase), much faster than US merchandise trade with the world (a 200 percent increase). The growth burst in US-Canada trade followed the Canada–United States Free Trade Agreement (CUSFTA), which entered into force in 1989.

In 2007, the United States ran a large trade deficit with both NAFTA partners. Interestingly, energy trade accounted for about two thirds of the combined $145 billion US deficit (which was only about half the size of the US trade deficit with China). Much of NAFTA commerce is concentrated in autos and parts, energy, and agriculture (see tables 3a and 3b). Together these three sectors account for a third of regional trade. Autos account for 20 percent of US-Canada trade and 15 percent of US-Mexico trade; the industry is largely integrated in the region and all three countries are feeling the pain of the current sharp decline in North American sales. Canada is the leading supplier of oil and gas to the United States. Intra-NAFTA energy trade topped $100 billion in 2007. Oil exports account for two thirds of Canadian and almost half of Mexican production—both primarily directed to the US market. Intra-NAFTA farm trade has doubled since 1993 and was valued at almost $70 billion in 2007. Agricultural trade still faces numerous restrictions and is the focus of lingering disputes on sugar, fruits, and vegetables.

Total foreign direct investment (FDI) inflows to all NAFTA countries grew rapidly during the 1990s (table 4). Relative to regional GDP, the FDI stock almost doubled from 8 percent to 15 percent. In Mexico, the FDI stock today is about 6 times larger than in 1992. From the standpoint of Mexico and Canada, FDI from the United States represents a substantial share of each country's FDI stock. From the US standpoint, however, intra-NAFTA flows and stocks are modest. In 2006, Canada and Mexico accounted for less than 10 percent of the stock of FDI in the United States; more than 60 percent of FDI in the United States comes from the EU-15 members.

Employment

Until recently, NAFTA's tenure coincided with an extended period of strong US economic growth—with positive knock-on effects for its neighbors. Overall employment was up in all three countries. US employment rose from 120 million in 1993 to 145 million in 2008 and in Canada from 12.8 million to 17.2 million. Jobs in the formal sector in Mexico increased from 31.3 million to 43.8 million (table 5). But not every worker or community benefited, and national trade adjustment assistance programs remain inadequate to the task.

While the overall employment picture has improved in each country, concerns about job losses have been a part of the NAFTA landscape from the beginning and will undoubtedly grow as the US economy suffers through a sharp recession and the unemployment rate spikes dramatically. Since NAFTA was signed, the US unemployment rate fell from 6.1 to 4.6 percent (1994 to 2007) but is trending toward 8.5 percent in 2009. If there is a sucking sound today, it is coming from Wall Street, not Mexico.

Annually, the US economy displaces approximately 17.5 million jobs and creates about 18.3 million new jobs. The net result is positive, but there are clearly winners and losers. Politicians, of course, rail against gross job losses. It's the downside of the dynamism of the US labor market. Politicians oversold the original NAFTA deal based on the mantra that it would create "jobs, jobs, jobs." Selling NAFTA as an economic elixir was bound to disappoint and critics have not been hesitant to cast blame on NAFTA for gross job dislocations, especially in manufacturing.

What is NAFTA's role in the US story? On an annual basis, depending on who is counting, gross NAFTA-related job losses ranged between 60,000 and 190,000. During the US election campaign, President-elect Obama claimed that "one million jobs have been lost because of NAFTA," which is consistent with some of the higher estimates of *gross* job loss cumulated over a decade. Note, however, that even taking the high number for annual job losses, NAFTA accounts for a small fraction (under one percent) of annual job churn.

In addition to job losses, concerns have been raised about the impact of increased North American integration on the price of labor. Unions charge that competition with low-wage Mexico has given companies leverage to achieve wage concessions from US workers. In fact, real hourly earnings in the US manufacturing sector are almost unchanged since 1994, though the total compensation of these workers is up markedly (due more to untaxed fringe benefits than to cash wages, see table 6).

In Mexico, the story is a little more nuanced. Real wages in nonmaquila plants are somewhat below 1994 levels; wages have not fully recovered the ground lost in the peso crisis of the mid-1990s. Since the trough in 1997, however, real wages have increased by almost 20 percent. In maquila plants, real wages did not fall as much in the peso crisis and now are above pre-NAFTA levels.

So is trade to blame for the weak US wage performance? Hufbauer and Schott (2005) compared manufacturing wages in US states that trade with Mexico to those US states that do not. Four of the top five US states, in terms of trade with Mexico, recorded wage growth higher than the national average, and by a substantial amount.

Labor and Environmental Side Accords

In 1993, US President Bill Clinton postponed ratification of NAFTA until new labor and environmental side accords were negotiated and appended to the NAFTA text. Canada and Mexico were reluctant partners and insisted that the accords favor consultation mechanisms with weak enforcement provisions. In practice, the two side agreements actually made modest improvements in labor and environmental policies in the three countries (Hufbauer and Schott 2005, chapters 2 and 3). Perhaps the most noteworthy aspect has been their “spotlight” effect—that is, creating public platforms where private groups can name and shame abusive practices.

Fears of pollution havens and “downward harmonization” of environmental standards have not been substantiated. The North American Agreement on Environmental Cooperation

(NAAEC) has promoted environmental cooperation among the three countries (e.g., the Sound Management of Chemicals); established databases that improve the comparability, reliability, and availability of data and information; and conducted environmental assessments to promote better understanding about trade-environment linkages. There has been a new spotlight on environmental practices through citizen submissions on enforcement and the work of the Joint Public Advisory Committee. Though some complain that these enforcement procedures lack “teeth,” one should not discount the value of “sunshine” as a disinfectant.

But progress to date pales in comparison to the scarcity of water and the burden of pollution. There continues to be a mismatch between the depth of the region’s environmental problems and the resources devoted to mitigate them. The NAAEC was given a limited mandate and budget. Nonetheless, we are clearly better off than we would have been without NAFTA, which has directed additional attention and new resources to environmental problems.

NAFTA’S FUTURE

The NAFTA was “state of the art” when it was crafted in the early 1990s. While Canadian and Mexican officials understandably have responded cautiously to calls to “reopen” the agreement, in fact NAFTA was designed to be a “living document” and has been continuously revised over the past decade (particularly the rules of origin). After 15 years it could stand some renovation to reflect lessons learned in subsequent trade deals, and more importantly changes in the world economy. I believe that NAFTA could benefit from some updating, for three reasons:

- Some items were excluded from NAFTA coverage (including some farm products, energy investment in Mexico, rules on subsidies and dumping, and migration).
- Some NAFTA provisions were weakly constructed and should be recast (including the labor and environmental side accords, and some dispute-settlement procedures and definitions).
- Changing conditions in the global environment in which NAFTA operates were not on the radar screen of the original drafters (especially border security and climate change).

Simply put, despite a decade of progress, the three NAFTA partners still have a lot of work to do together to address new economic and political challenges that threaten to impede future benefits from regional economic integration. There are many specific areas of friction among the three countries; some problems remain intractable such as illegal immigration, and others, like trucking and sugar, involve strong political constituencies. For this paper, I focus on broader topics that merit attention and can produce concrete gains from cooperation among the NAFTA partners.

Border Security

Since 9/11, a heavy emphasis on security has "thickened" the border. Controls at the northern and southern US borders, rather than at the North American perimeter, hamper flows of goods and people. The US Passport Card (PASS card), Secure Electronic Network for Travelers Rapid Inspection (SENTRI), NEXUS, and FAST programs are designed to move the security process away from the border, but they have worked better on paper than in practice.

The US Container Security Initiative requires all shipments heading to the United States to be scanned before entering US territory. Under the Container Security Initiative Partnership Agreement, sealed cargo passing through Canada to the United States should not be scanned again at the US-Canada border. This essentially moves security checks to the US-Canada perimeter. But cargo originating in Canada and shipped to the United States still has to be scanned. With more efficient technology, and with inspections calibrated to risk, the security tax on Canadian merchandise could be reduced. Mexico does not have a similar agreement with the United States. All cargo crossing the US border has to be scanned. Worries about illegal activities at the southern US border are greater than in the north, and thus progress has been slow.

Energy

As noted earlier, the NAFTA countries are energy interdependent, with substantial cross-border flows of petroleum, natural gas, and electricity (see table 7 for production, trade, and consumption data). Canada is the largest and most secure supplier of oil and natural gas to the United States. Electricity grids are substantially integrated between the United States and Canada, but not between the United States and Mexico.

Following the Canada-US FTA, NAFTA led to the removal of tariffs and quantitative restrictions on energy trade between the United States and Canada, but those rules were not extended to Mexico. Investment in Mexico's energy sector, proscribed by its constitution, was not covered by NAFTA's obligations. Mexico requires huge investments to exploit its offshore reserves (urgently needed to offset declining production in major oilfields) and to upgrade its distribution networks for electricity and natural gas.

NAFTA does not go far enough to ensure energy security. This is a subject for greater cooperation.

Labor and Environment

While the side accords broke new ground when introduced in 1993, their core rights and obligations never could be considered a "gold standard"; within a decade, NAFTA provisions in these areas had been eclipsed by new arrangements. Negotiators learn by doing, and subsequent free trade agreements have improved upon NAFTA's skeletal regime on labor and the environment. Recent FTAs embrace more comprehensive rights and obligations in the main treaty text, and have been supplemented by bilateral cooperation accords that seek to develop joint responses to labor and environmental problems in the partner country.

I believe that adopting the "Peru Standard" on labor and the environment is desirable on the merits; in addition, it would respond constructively to some of the specific political concerns about NAFTA raised by President-elect Obama during the presidential campaign. Indeed, Obama cited the new provisions on labor and the environment as the reason he voted in favor of the Peru-US FTA. To complement these textual reforms, we recommend increased funding for specific projects undertaken by the North American Development Bank (NADBank) to redress infrastructure problems and environmental abuses. The NADBank has been under-funded from the start, and its capital base needs to be substantially augmented.

The NAFTA partners need to examine the environmental provisions in their various bilateral free trade agreements and agree to upgrade the NAFTA regime drawing on best practices from their other accords—especially recent US and Canadian pacts with Peru and Colombia. The US FTAs with these countries contain the most detailed set of environmental provisions of any trade agreement and incorporate the new rights and obligations mandated by the May 2007 bipartisan accord on US trade policy between the Democratic-led Congress and the Bush administration.

The new FTA labor provisions reflect International Labour Organization (ILO) principles and are embedded in the treaty text. As such, they are enforceable under the pact's general dispute-settlement procedures. The new environmental provisions are much more comprehensive than those in NAFTA; some of the highlights:

- The pacts require signatories to implement and enforce seven multilateral environmental agreements, including the Convention on International Trade in Endangered Species (CITES) and the Montreal Protocol, and to effectively enforce national environmental laws and regulations.
- Both agreements promote the protection of biodiversity, and the Peru-US pact also includes an annex on forest-sector governance to address problems regarding illegal logging.
- Also innovative are new obligations regarding public participation in the rulemaking and regulatory process, developed in conjunction with nongovernmental organizations (NGOs) and private-sector advisers in the partner countries.
- Unlike NAFTA, all these obligations are subject to the pacts' general dispute-settlement procedures.
- Neither of these pacts, however, contains a dedicated source of funding for environmental programs. Like NAFTA, the pacts continue to rely on enforcement sanctions rather than financial incentives to spur action on environmental programs.

Including similar provisions in NAFTA should be part of the regular updating of the pact and would address specific political concerns voiced in all three countries.

Climate Change

Climate change presents a big challenge for the NAFTA partners. North America is home to about 7 percent of the world's population but is responsible for 25 percent of global emissions of the most important greenhouse gas (GHG), carbon dioxide. And North American GHG releases have grown significantly since 1990 in all three countries (see table 8).

States and provinces are taking the lead in developing regulatory regimes that seek to reduce GHGs. Invariably such policies affect the competitiveness of domestic industries, which have to bear the burden of investing in new equipment or paying carbon taxes, and seek to influence the composition of national strategies under construction. Frictions already exist between state and federal policies, and competitiveness concerns threaten to spill over the NAFTA borders. For example, in the United States, numerous bills on the congressional docket endorse alternative-energy subsidies and border taxes against carbon-intensive imports, presaging new barriers to North American trade. Similar legislation is being vetted in Canada. Before policies are locked in statutory concrete, NAFTA partners should consider several avenues of cooperation:

- NAFTA partners need to agree on common industrial standards and competitiveness provisions that will apply to regional trade. Cooperative efforts are essential for monitoring GHG emissions and creating efficient trading markets for North American emissions permits.

- If the United States and Canada both adopt carbon taxes, they should agree on the same base and rates to minimize border adjustments. This principle also applies to auctioned CO2 permits.

- In light of Mexico's interest in reducing GHG emissions, the three countries could innovate on ways to extend technical and financial assistance to help developing countries reduce GHG emissions; these precedents could then help inform the global negotiations.

In the short term, the NAFTA partners should agree to what is called in the trade business a "peace clause"; in other words, they should agree not to institute new trade restrictions based on the carbon footprint of imports for several years, so that such measures do not create obstacles to the negotiation of a global post-Kyoto regime.

Climate-change initiatives could change NAFTA's profile in the US policy debate and create constructive channels for trilateral cooperation. Along with border and energy security, these are the issues that will bring the three countries together in a new dialogue that can benefit all the peoples of North America.

REFERENCES

Hufbauer, Gary Clyde, and Jeffrey J. Schott. 2005. *NAFTA Revisited: Achievements and Challenges*. Washington: Institute for International Economics.

Table 1. Gross Domestic Product and inflation of NAFTA countries, 1993-2007

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 p	Average annual growth rate of real GDP
Canada																	
GDP (billions of dollars)	564	565	591	614	638	617	661	725	716	735	868	994	1,133	1,279	1,436	1,564	3.1
CPI (index, 2000=100)	89.7	89.8	91.8	93.2	94.7	95.7	97.3	100.0	102.5	104.8	107.7	109.7	112.1	114.4	116.9	119.8	
Mexico																	
GDP (billions of dollars)	442	462	314	365	434	456	520	629	673	702	700	759	847	949	1,023	1,143	2.9
CPI (index, 2000=100)	28.9	30.9	41.7	56.0	67.6	78.3	91.3	100.0	106.4	111.7	116.8	122.3	127.2	131.8	137.0	143.7	
United States																	
GDP (billions of dollars)	6,657	7,072	7,398	7,817	8,304	8,747	9,268	9,817	10,128	10,470	10,961	11,686	12,422	13,178	13,808	14,334	3.0
CPI (index, 2000=100)	83.9	86.1	88.5	91.1	93.2	94.7	96.7	100.0	102.8	104.5	106.9	109.7	113.4	117.1	120.4	125.5	

Notes: p = projected

Source: International Monetary Fund World Economic Outlook October 2008

Table 2. NAFTA bilateral merchandise trade, 1993-2007
in billions of US dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
US-Canada															
Imports	113.6	131.9	148.3	159.7	171.3	177.9	201.4	232.7	220.1	213.9	227.6	259.7	291.9	307.7	317.5
Exports	100.2	114.3	126.0	132.6	150.1	154.1	163.9	176.4	163.7	160.8	169.5	189.1	211.4	230.2	248.4
Trade Balance	-13.4	-17.7	-22.3	-27.1	-21.2	-23.8	-37.5	-56.3	-56.4	-53.1	-58.1	-70.6	-80.4	-77.5	-69.1
US-Mexico															
Imports	40.7	50.3	62.7	74.1	87.1	96.1	111.1	137.4	132.8	136.1	139.7	157.8	172.5	200.5	212.9
Exports	41.6	50.8	46.3	56.8	71.4	79.0	87.0	111.7	101.5	97.5	97.5	110.8	120.0	134.1	136.5
Trade Balance	0.9	0.5	-16.4	-17.3	-15.8	-17.1	-24.0	-25.7	-31.3	-38.6	-42.2	-47.0	-52.4	-66.4	-76.4
Canada-Mexico															
Imports	2.8	3.3	3.9	4.4	5.1	5.2	6.4	8.1	7.8	8.1	8.7	10.3	12.1	14.1	16.0
Exports	0.6	0.8	0.8	0.9	1.0	1.0	1.1	1.4	1.8	1.5	1.6	2.4	2.8	3.9	4.6
Trade Balance	-2.2	-2.5	-3.1	-3.5	-4.1	-4.2	-5.3	-6.8	-6.1	-6.6	-7.1	-8.0	-9.3	-10.3	-11.4

Source: UN COMTRADE database

Table 3a. NAFTA trilateral trade in selected product categories, 1993-2007
in billions of dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Agricultural products [1]	30.80	35.77	36.15	39.92	42.69	43.88	45.87	48.49	49.31	51.06	53.35	59.90	64.39	69.27	68.63
Automotive products [2]	68.34	82.69	88.59	95.41	107.48	111.11	131.63	139.99	129.60	172.56	133.52	189.25	156.73	166.31	170.11
Energy products [3]	16.01	17.20	18.50	20.10	24.56	20.23	21.43	42.97	44.15	37.56	50.46	61.21	84.51	90.49	103.41
Total trade	*303.62*	*354.95*	*392.90*	*433.37*	*494.64*	*519.62*	*579.91*	*681.57*	*633.88*	*620.91*	*649.58*	*739.38*	*824.57*	*902.20*	*951.34*

Notes:
1. Agricultural products includes SITC sections 0, 1, 2 and 4, minus divisions 27 and 28
2. Automotive products includes SITC groups 781, 782, 783, 784 and subgroups 7132 and 7783
3. Energy trade includes SITC divisions 33, 34 and 35
Source: UN COMTRADE

Table 3b. NAFTA bilateral trade in selected product categories, 1993-2007
in billions of dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
US-Canada															
Agricultural products [1]	21.94	24.21	25.93	27.61	30.00	29.81	31.68	33.21	33.51	33.88	34.39	38.98	41.15	43.41	46.63
Automotive products [2]	58.49	67.26	70.11	72.15	80.39	82.18	97.94	97.41	87.75	92.93	94.74	104.16	109.94	112.95	115.64
Energy products [3]	14.19	15.16	16.46	17.76	21.65	17.53	18.05	37.06	38.90	32.46	45.82	55.74	76.35	81.15	92.93
Total trade	*216.89*	*250.13*	*277.42*	*293.69*	*327.00*	*336.00*	*368.92*	*418.00*	*390.97*	*380.87*	*402.83*	*456.90*	*513.66*	*546.91*	*580.33*
US-Mexico															
Agricultural products [1]	8.61	11.23	9.85	11.86	12.25	13.58	13.74	14.69	15.06	16.54	18.30	19.79	22.17	24.46	17.27
Automotive products [2]	8.68	14.35	17.00	21.81	25.83	28.27	32.35	40.58	39.72	40.07	38.31	42.52	44.97	51.35	52.20
Energy products [3]	1.69	1.96	1.97	2.19	2.71	2.58	3.17	5.60	5.03	4.91	4.36	5.14	7.51	8.57	9.73
Total trade	*84.54*	*102.55*	*112.65*	*136.53*	*164.37*	*180.92*	*207.50*	*258.90*	*237.88*	*235.49*	*242.15*	*277.31*	*303.89*	*346.26*	*359.91*
Canada-Mexico															
Agricultural products [1]	0.25	0.32	0.36	0.45	0.43	0.49	0.45	0.59	0.74	0.65	0.66	1.13	1.07	1.40	4.73
Automotive products [2]	1.18	1.07	1.48	1.46	1.26	0.67	1.34	2.00	2.13	39.56	0.47	42.57	1.83	2.02	2.27
Energy products [3]	0.13	0.08	0.08	0.15	0.20	0.12	0.21	0.31	0.22	0.18	0.28	0.34	0.64	0.77	0.76
Total trade	*2.20*	*2.26*	*2.83*	*3.16*	*3.26*	*2.70*	*3.49*	*4.67*	*5.03*	*4.55*	*4.60*	*5.16*	*7.02*	*9.03*	*11.11*

Notes:
1. Agricultural products includes SITC sections 0, 1, 2 and 4, minus divisions 27 and 28
2. Automotive products includes SITC groups 781, 782, 783, 784 and subgroups 7132 and 7783
3. Energy trade includes SITC divisions 33, 34 and 35
Source: UN COMTRADE

Table 4. FDI stocks in NAFTA partners, 1993-2006
in billions of US dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
US-Canada														
Inward Position of Canada into the US	40.37	41.22	45.62	54.84	65.18	72.70	90.56	114.31	92.42	92.53	95.71	125.28	154.18	158.98
Outward Position of the US into Canada	69.92	74.22	83.50	89.59	96.63	98.20	119.59	132.47	152.60	166.47	187.95	213.01	233.47	246.45
US-Mexico														
Inward Position of Mexico into the US	1.24	2.07	1.85	1.64	3.10	2.06	2.00	7.46	6.65	7.83	9.02	7.59	3.81	6.08
Outward Position of the US into Mexico	15.22	16.97	16.87	19.35	24.05	26.66	37.15	39.35	52.54	56.30	56.85	66.43	75.11	84.70
Canada-Mexico														
Inward Position of Mexico into Canada	0.12	0.13	0.12	n.a.	n..a	0.08	0.07	0.14	0.10	0.12	0.16	0.16	0.18	0.24
Outward Position of Canada into Mexico	0.40	0.76	0.69	1.41	1.51	1.87	2.30	2.57	2.07	2.03	2.37	2.14	2.70	3.75

Note:
n.a. = not available

Source: OECD Statistics

Table 5. Labor force in North America, 1993-2006 (in millions)

	Canada		Mexico		United States		Total	
	1993	2008*	1993	2008*	1993	2008*	1993	2008*
Population	28.7	33.2	88.8	106.3	259.9	304.8	377.4	444.4
Total Employed	12.8	17.2	31.3	43.8	120.3	145.8	164.4	206.8
Total Unemployed	1.6	1.1	1.0	1.6	8.9	8.6	11.6	11.3
Manufacturing Employment	1.8	2.0	4.9	7.2	16.8	13.6	23.4	22.7

Notes:
* Data for 2008 is up to October for the United States and for Canada, and up to June for Mexico

Sources:
For population data: the World Economic Outlook October 2008 database
For US employment numbers: US Bureau of Labor Statistics
For Canada employment and unemployment numbers: Statistics Canada
For Mexico employment and unemployment numbers: Instituto Nacional de Estadistica y Geografia e Informatica

Table 6. Real wages in manufacturing in Mexico and the United States, 1987- 2006

	Mexico				United States		
	Nonmaquiladora [a]		Maquiladora		Manufacturing		
Year	Real monthly income per worker (1994=100)	Real wages (1994=100)	Real monthly income per worker (1994=100)	Real wages (1994=100)	Real hourly earnings (1994=100)	Real wages (1994=100)	Real compensation
1990	80.0	79.2	96.2	98.1	101.1	100.2	97.2
1991	84.9	83.7	94.2	95.5	100.2	100.0	97.7
1992	92.3	90.8	95.9	94.3	99.8	100.0	98.4
1993	96.5	96.0	95.8	94.9	99.6	100.1	99.5
1994	100.0	100.0	100.0	100.0	100.0	100.5	100.0
1995	87.4	87.3	94.0	90.7	99.6	100.7	99.8
1996	78.8	81.2	88.8	83.3	100.1	101.0	99.8
1997	78.3	81.2	90.4	87.7	100.9	101.6	99.8
1998	80.5	83.9	94.0	89.4	101.9	103.5	100.9
1999	81.8	85.1	96.0	90.0	102.6	104.8	102.1
2000	86.6	89.9	100.3	93.5	102.6	105.0	102.7
2001	92.5	94.0	109.4	103.0	102.9	105.8	103.5
2002	94.2	96.4	115.5	108.0	105.1	107.1	105.9
2003	95.5	96.7	115.5	105.8	105.9	107.3	107.9
2004	95.7	97.1	115.2	107.8	105.9	107.0	110.2
2005	95.5	97.0	115.6	106.9	104.9	106.3	110.0
2006	95.8	97.4	117.5	108.2	103.1	105.3	108.5
2007	96.8	98.4	n.a.	n.a.	103.0	103.7	107.5
2008[p]	95.4	95.6	n.a.	n.a.	101.0	103.2	105.0

Notes:
n.a. = not available
p = projected

a. Pre-1994 statistics correspond to the 129 classification system, which was discontinued in 1995. Statistics from 1994 onwards correspond to the 205 classification system.

Sources:
For Mexican data: Instituto Nacional de Estadística, Geografía e Informática
For US data: US Bureau of Labor Statistics

Table 7. Oil and gas production, trade, and consumption, 2007

Product/country	Production	Imports	Exports	Consumption
Oil (thousand barrels per day)				
North America	15,383	14,942	5,537	25,174
United States	8,457	13,468	1,432	20,680
Canada	3,425	1,165	2,421	2,374
Mexico	3,501	309	1,684	2,119
Dry natural gas (billion cubic feet)				
North America				
United States	19,278	4,602	822	23,058
Canada	6,604	466	3,789	3,281
Mexico	1,977	413	105	2,412

Source: Energy Information Administration

Table 8. CO_2 emissions from fuel combustion, 2005 [a]

Million Tons of CO_2

	Total		% change 2005/1990	Kyoto Target[b]	By type of fuel				By sector					CO_2 per unit of GDP (kg/2000 USD)	CO_2 per capita (t/capita)
	1990	2005			Coal	Oil	Gas	Other[c]	Electricity & Heat	Manufacturing Industries & Construction	Transport	Residential	Other[c]		
United States	4,851	5,817	20	-7%	2,131	2,457	1,202	28	2,485	636	1,813	347	535	0.53	19.61
Canada	429	549	28	-6%	111	267	170	1	127	91	160	40	131	0.67	17.00
Mexico	293	389	33	-	35	256	99	-	121	59	131	21	58	0.61	3.70
Total	5,573	6,755			2,277	2,980	1,471	80	2,733	786	2,104	408	724		
Memorandum:															
World Total	21,024	27,136	29		10,980	10,717	5,347	93	11,009	5,184	6,337	1,889	2,718	0.75	4.22

a. OECD source noted that CO_2 emissions are calculated using the IEA energy balances, IPCC Sectoral Approached the default emissions factors from the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories. They may differ from National Communication submitted by the parties to the UNFCCC.

b. The target is the percentage cut from the countries' individual 1990 levels. Collectively, Annex I countries have to reduce GHG emmissions by an average of 5% below their 1990 levels. The United States has not ratified the Kyoto protocol.

c. Other includes industrial waste and non-renewable municipal waste.

Source: International Energy Agency (IEA), CO_2 emissions from fuel combustion 1971-2005 (2007 edition), OECD