

## Introduction

North American economic integration has, since January 1, 1994, focused on NAFTA itself and the three supplementary agreements. As noted in earlier chapters, these agreements now provide the formal 'rules of the game' for further integration and for the resolution of disputes regarding trade and investment issues that inevitably will arise over the course of time. The NAFTA document also provides procedures for expanding the three-country agreement by 'widening' (that is, adding new countries) and/or 'deepening' (that is, adding new concepts like labor mobility or consultation on macroeconomic policies) to the process.

It is important to remember here that it is private firms that trade and invest, not governments. Governments negotiate (possibly in consultation with private firms and their trade associations) international economic treaties which, in turn, create new ongoing institutions (that is, the NAFTA Free Trade Commission) which administer the implementation and operation of the (transnational) treaty under which firms must operate as they buy from, sell to and invest in other countries. Additionally, it must be remembered that in the case of NAFTA each of the three countries embraced the principles of the multilateral GATT/WTO, which implies that their (trilateral) institutions and actions grew out of and must be consistent with those of a larger framework. Finally, implementation of an international economic treaty such as NAFTA requires a higher level of harmonization of a myriad of customs procedures as well as business and legal practices as the economic borders between countries are gradually dismantled—a practical, nuts and bolts process that requires a great deal of energy, patience and good will on the part of representatives from business, government and academia.

In this third and final part of the book we first (in Chapter 7) examine the international environment that led to NAFTA's birth. Then we turn to the content of the agreement itself, NAFTA's main provisions for freeing up trade and investment relations between the three countries during specified time periods. In Chapter 8, we examine the major deficiencies of NAFTA itself, which mainly revolve around Mexico's asymmetric level of development in comparison with the US and Canada. Then we present the main aspects of NAFTA's implementation during the first few years focusing on the institutional structure that will be responsible for its ongoing operations and NAFTA's accomplishments in the areas of trade, investment and dispute resolution. Finally, we look 'beyond NAFTA' to provide the reader with a view of the various options that exist, especially in the Western Hemisphere, for expanding the integration process.

One implicit theme runs throughout this part of the book; that in order to understand NAFTA one must adopt a multidisciplinary perspective. Economics alone is not sufficient. Politics too played an important role in the negotiation of the agreement and those politics were intimately intertwined with the strategies of special interests (for example, businesses which would be hurt or favored) by the outcomes. Again, NAFTA represents managed trade, not free trade. Managed trade will always reflect both economic and political realities. Lastly, it is important to note that NAFTA and its side agreements are legal documents that were negotiated and written by lawyers from the three countries who will interpret the document and its side agreements. In closing, we wish to remind the reader that NAFTA did not initiate the process of North American economic integration. Instead it attempted to provide explicit rules for the process which began decades ago.