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The Future of North American Market Integration under NAFTA

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Regional Trade Agreements

- The number of regional trade agreements has increased dramatically:
 - 1958 – 2
 - 1994 – 64
 - 2003 – 187
- Currently the US has:
 - Negotiated five regional trade agreements
 - Negotiated four which have not yet been signed
 - Is negotiating five additional trade agreements

NAAMIC

- The North American Agrifood Market Integration Consortium (NAAMIC) organized 10 annual workshops analyzing:
 - The degree to which the NAFTA agricultural economies have become integrated.
 - The impacts of market integration on the agricultural economies of each member country.
 - The policy initiatives needed to spur further market integration in agriculture under NAFTA.

Economic Integration

- Economic integration occurs when barriers to commercial exchange across countries are removed.
 - Exchange of goods and services
 - Exchange of inputs
 - Capital investment
 - Employment – immigration
- Barriers
 - Tariffs, quotas, regulatory standards
 - Political motivations
 - Industry protection
 - Exchange rates

Market Integration

- Market integration exists when product flows between countries are on the same terms and conditions as within countries.
 - Market integration occurs when two or more formerly separated national or regional markets are combined.
 - It emphasizes trade and foreign direct investment
 - If markets do not integrate through trade, they will integrate through capital investments.

Policy Integration

- Policy integration is the explicit and proactive development of common policies, laws and regulations
 - Economic and market integration may be hindered by the lack of farm policy integration
 - Markets can integrate without policy integration, but with distortions
 - Inconsistent or incompatible policies will inevitably generate pressures for change.
 - In the long-run, economic and scientific forces will prevail

Integration Forces

- Since NAFTA, the degree to which the markets, policies and economies of Canada, Mexico, and the US should be integrated has been a political, social and economic issue.
- There are persistent economic pressures for higher levels of integration
- These pressures are present regardless of the provisions of the trade agreements or the policies pursued.

Three Key Questions

- What progress has been made toward market integration in your areas of expertise since NAFTA was approved in 1994?
- What are the key social and economic impacts that market integration has had on your country?
- What are the key barriers to further market integration and how can they best be removed?

Our Panel

- **Michael Keenan**, Director General of Research and Analysis
Agriculture and Agri-food Canada
- **Francisco Mere**, Chief Executive Officer
FIRA, Bank of Mexico
- **Gary Blumenthal**, President
World Perspectives