**NAFTA BASICS**

The North American Free Trade Agreement (NAFTA) is a treaty that was signed on August 12, 1991 by the United States, Canada, and Mexico; it went into effect on January 1, 1994. On that day, the three countries became the largest free market in the world—the economies of the three nations at that time was more than $6 trillion and directly affected more than 365 million people. NAFTA was created to get rid of obstacles to agricultural trade, manufacturing, and services trade between the countries. It also removed restrictions on investments that could be made in those countries, and protected intellectual property rights (e.g.: if someone comes up with an idea in Canada, it can’t be stolen by someone in Mexico or the United States). The treaty also addresses environmental and labor concerns. Small businesses were among those that were expected to benefit the most from the lowering of trade barriers since it would make doing business in Mexico and Canada less expensive and would reduce the red tape needed to import or export goods.

Highlights of NAFTA included:

• Before NAFTA, the three countries used to tax each other when products were brought into the countries. After NAFTA, those taxes were stopped or reduced.

• NAFTA opened the border and interior of Mexico to U.S. as far as trade.

• The three NAFTA countries agreed to toughen health, safety, and industrial standards to the highest existing standards among the three countries (which were always U.S. or Canadian).

•To ease concerns that Mexico's low wage scale would cause U.S. companies to shift production to that country, and to make sure that Mexico's increasing industrialization would not lead to horrible pollution, special side agreements were included in NAFTA. Under those agreements, the three countries agreed to establish commissions to handle labor and environmental issues.

•Expanded telecommunications trade.

•Reduction in barriers for making clothing.

•More free trade in agriculture.

•Expanded trade in financial services.

•Increased investment opportunities.

•Increased protection of intellectual property rights. This is especially helpful in fields such as computer software and chemical production. Mexican firms will no longer be able to steal intellectual property from companies and create a "Mexican" version of a product.