integrated and vital trans-Atlantic partnership between the EU and the USA. A "New Transatlantic agenda" (NTA) was signed in 1998 between the two parties, which focused on promoting peace, and democracy, responding to global challenges, contributing to the expansion of world trade, and building euphemistic 'bridges' across the Atlantic. In reality the NTA has delivered little of concrete value. The important foundation of the relationship is the increase in trade, which has risen an impressive 60 % in the past 10 years. Future cooperation is likely to centre upon these economic benefits and impact the foreign policy initiatives of both parties. [468]

Complicating this transatlantic agenda however, is the North Atlantic rivalry. The EU has declared that it wants to be the most dynamic and important economic region in the world by 2010. However inspired this goal might be the reality is that without significant economic and political reform, the EU will continue to trail the US. The EU is lagging the US in GDP per hour worked and in productivity. During the 1996 to 2000 period the annual GDP increase averaged 1.6 % in the EU as opposed to 2.2 % in the USA. Currently the aggregate GDP of the EU is 7.8 Billion Euro as opposed to about 10 Billion Euro for the USA. This translates into a dollar GDP per capita of 20.800 in the EU against 31.900 for the US. The EU has to initiate much reform to close the gap with the US.[469]

Summary

The US centric NAFTA has had important and predominantly beneficial effects on its member nations. Total trade along a North-South axis has deepened remarkably amongst the three nations. However domestic issues could still imperil the future and proper functioning of NAFTA as well as US economic challenges which would hurt the increasingly export focused Canadian and Mexican economies. Both Canada and Mexico continue to suffer from serious political and economic issues such as debt, low productivity and weak currencies as compared to the US that prevent them from reaping full advantage of US market access. Though a cheap currency aids

exporters, it taxes other groups in society and impairs productivity wherein firms substitute labour for technology.

In lower value currency states, wages are kept artificially low (to better compete) and the standard of living falls. Such results and declining net wealth will delay needed economic and business reforms. Both Canada and Mexico are experiencing these results from cheapened currencies, though Mexico is faring better in its rate of productivity, which should presage a higher standard of living. In both countries many nationalists mistakenly blame domestic problems (for instance in Canada a lowering standard of living and a 'brain drain') on NAFTA and increased exposure to the more 'atavistic', 'tax friendly' or 'immoral' American market, putting pressure on political regimes to increase protectionism, welfare programs, bailouts and to generally safeguard so called national interests.

In the United States, many view NAFTA with suspicion as a 'de-industrialisation' plan either forcing US business to move to Mexico to access cheap labour, or allowing in cheap Canadian and Mexican product, causing US firms to lose domestic market share and by extension jobs.[470] The first concern has not materialised. Relocation to cheaper locales by US business has yet to occur given that many other factors of production constitute the total cost of producing goods and services and have precluded a drastic relocation by either US or Canadian firm's, to Mexico. The second concern is more prominent. Importation of cheaper product from its NAFTA neighbours remains a political and sectoral issue of importance within the United States. Politicians are under domestic pressure from lobby groups and electoral calendars to aid affected jurisdictions and sectors. Such pressures will impact the forward movement of NAFTA and the resolution of trade disputes and issues pertaining to environmental protection and rules of origin production.

In each of the NAFTA members the statist regimes in place will jealously guard their sovereignty and key sectoral industrial interests. Auto production, telecommunications service and equipment manufacture, primary industrial production, agriculture, textiles and aerospace manufacture are only a few of the key sectors that the 3