High on the list is barrier-free access to Mexico for Canadian goods and services, while developing tariff phase-out provisions and safeguard mechanisms which reflect Canadian import sensitivities.

Mexico's trade barriers have hampered Canadian exporters' efforts to compete for a slice of the Mexican market of 85 million people. In announcing our intention to join the talks in February, Canada wanted to ensure that our exporters enjoy the same access to the Mexican market as do United States exporters. If we had not moved to join the talks, a bilateral United States-Mexico trade deal would have created preferential access for the United States and stacked the deck against Canadian business and our economy.

While Mexico has already reduced many tariffs as part of its decision to join the GATT in 1986, I remind you that its GATT-bound rate, the maximum levy it is allowed under the GATT, is 50 per cent for most products. The average rate of tariff protection is currently much lower than that. But Mexico holds in reserve the ability to resume a high-tariff policy. Today there is no treaty preventing the Mexican government from unilaterally raising its tariff above current rates, as it did in 1990 when the duty on numerous paper products went from 10 to 15 per cent. The ability to take such actions does not contribute to a stable trading environment. The phased elimination of duties through a new treaty will go a long way to creating confidence for Canadian exporters in the Mexican market.

Tariff barriers aren't the only obstacle that concerns us in these negotiations. There are non-tariff barriers as well. In the early 1980s almost all exports to Mexico required an import licence, one of the most common and effective forms of non-tariff barriers. Their discretionary nature makes them particularly damaging to a predictable trade environment. While that situation has changed for the better, with the requirement for licensing declining substantially, this barrier still affects approximately 20 per cent by value of Mexican imports. The licenses apply to agricultural and some forest products, motor vehicles and selected chemicals and petrochemicals. These are all important export goods for Canada. The removal of these barriers would be a major element of a successful agreement.

Mexico's investment climate has undergone significant liberalization over the last few years, particularly since new regulations were approved in May of 1989. But much work remains to be done. The investment climate in Mexico is still much less open and free than that found in Canada or the United States. Potential investors still must meet several criteria, even in the many areas now open for majority foreign ownership. A number of important sectors are still reserved exclusively for Mexican control, including 100 per cent state ownership in areas such as