

**COMMONLY ASKED QUESTIONS**

***How will the NAFTA help Canadian exports?***

Many of the benefits of the NAFTA will accrue to Canada's auto industry because virtually all Mexican automotive parts already enter Canada duty free. The NAFTA will help correct the trade imbalance by reducing and eliminating Mexican barriers. In addition, the new rules of origin for trade in North America will improve opportunities for Canadian auto-parts manufacturers faced with growing pressure from low-cost suppliers in Brazil and Southeast Asia.

***Will the NAFTA solve the U.S. customs problems faced by Honda Civics from Ontario?***

A new formula to calculate the North American content of autos produced in Canada and improved dispute settlement procedures should avoid repetition of the Honda Civic case. Manufacturing processes previously disallowed by U.S. customs under the old FTA rules will now be included. Under the new net cost formula, a company can include virtually all of its North American costs in determining the origin of an automobile for customs purposes.

***Will the new 62.5% rules of origin discourage investment by Asian car makers and result in job losses?***

The new 62.5% rule was agreed to after extensive consultation with all segments of the Canadian industry, including Asian car makers. The new content level, combined with the new rules of origin and eventual unrestricted access to the fast growing Mexican market, will create additional opportunities for all segments of the Canadian auto sector.

***Will low-paid Mexican workers take away jobs from Canadian auto workers?***

No. An integrated North American market is essential to increase opportunities for the industry and preserve and create jobs for auto workers. Wages represent a small part of the cost of production. Productivity, a trained labour force, product quality, a strong financial sector, efficient transportation services and communications network and the cost of capital are also important factors and ones where Canada has advantages vis-à-vis Mexico. Our strength is reflected in recent decisions by the Canadian-based assemblers to invest close to \$3 billion in new plants. Large, modern assembly plants will provide significant opportunities for Canadian parts manufacturers who are located close to these plants.