

of Quebec and Ontario have not yet approved. Mexico's professional association has given its approval, and the Mexican Education Ministry is working to finalize the language test and other requirements for which it is responsible.

In other developments, representatives of the Canadian Institute of Chartered Accountants and its Mexican and U.S. counterparts have signed an MRA that recognizes the professional qualifications of chartered/certified accountants in their respective jurisdictions. As well, representatives of the Canadian Council of Land Surveyors and its Mexican and U.S. counterparts have approved a draft MRA and are working toward a final agreement.

Canada will continue to work with other interested Canadian professional associations to expand their access to the Mexican market.

OTHER ISSUES

Government Procurement

Procurement by Mexican entities listed in NAFTA Chapter 10 is governed by the disciplines of this chapter. Mexico may exclude up to US\$1.2 billion per year of government procurement from the disciplines of NAFTA Chapter 10. In addition, Mexico may exclude up to US\$300 million for the state-owned oil (PEMEX) and electricity (CFE) firms. These exemptions reduce the opportunities available for Canadian exporters seeking to bid on procurement by Mexican government agencies and public companies. Canada will continue to assist Canadian exporters on a case-by-case basis and to monitor Mexico's application of these exemptions. Canada remains concerned that Mexico has not demonstrated its compliance with these limits on exclusions. Canada continues to press Mexico for relevant statistical and other information that could demonstrate that these limits have not been exceeded.

Mexican Initiative to Require Bottling of Tequila in Mexico

Mexico has proposed a mandatory technical regulation (NOM) that could require all tequila (which is produced only in Mexico) to be bottled in Mexico. At present, some tequila is exported to other markets

in bulk, where it is bottled and sold as Mexican tequila. The majority (75%) of tequila exported to Canada and the United States is shipped in bulk. Mexican industry claims that the quality of some tequila that is bottled abroad is highly suspect, with disreputable foreign bottlers diluting and lowering the quality of the tequila and damaging its reputation.

Existing tequila trade between Mexico and Canada is mutually beneficial and is expected to grow significantly in the near term. Canada is the fourth most important importer of bulk tequila, after the United States, Germany and France. Introduction of the NOM will interfere with both existing and anticipated commercial arrangements and negatively affect anticipated export growth. Shipments in bulk for bottling in destination countries is common business practice in the beverage alcohol industry. There are various safeguards in place to ensure product quality and integrity.

There have been 10 trilateral meetings (between the Canadian, U.S. and Mexican governments) to discuss this issue, the most recent being in January 2005. Parallel industry meetings concluded in June 2004, with industry recommendations subsequently presented to governments. In future trilateral discussions, Canada and the United States will be working to ensure that tequila exports to our countries continue unimpeded while respecting NAFTA parties' rights and obligations under Annex 313 (Distinctive Products).

Trade Data Reconciliation

The statistics produced by countries on their merchandise trade with the rest of the world frequently differ from the statistics published by their trading partners. These differences reflect legitimate conceptual differences between import and export statistics, as well as possible errors. The *Merchandise Trade Reconciliation Canada-Mexico 2000-2001* report produced by Statistics Canada and the Mexican agency INEGI shows a discrepancy of over \$4 billion between what Statistics Canada reports as exports to Mexico and what INEGI reports as imports from Canada. The major factor contributing to this gap is transshipment or indirect trade through the United States. The implication is that Canada's actual exports to Mexico are far greater than the reported figures using Canada's export statistics.