

The four NAFTA sectoral subcommittees — automotive, land transportation, telecommunications and textile labelling — also provide excellent fora for bilateral cooperation in the area of standards and regulations. The land transportation and textile labelling subcommittees are pursuing a work program intended to harmonize standards and facilitate trade; they have achieved substantial progress in the area of driver/vehicle compliance for trucks and the care labelling of textile goods, respectively. In the telecommunications and automotive sectors, where standards measures have been generally complementary, the subcommittees are pursuing further bilateral cooperation, along with increased coordination of activities in international fora.

Canada is keeping a watch on the increasing trend in protectionist activity in the United States. Canada is seeking more complete implementation by the United States of its NAFTA and WTO sub-federal commitments, with a view to the upgrading or modernization of U.S. sub-federal standards measures, complementing the volume and variety of our trade in manufactured goods. Canada is also working to enhance bilateral dialogue at the provincial and state level in order to increase cooperative activities in the area of standards and regulations development in the areas of pressure vessels, building products and the harmonization of regulated standards for electrical safety.

Finally, Canada will continue to encourage cooperation with the United States in the development and use of voluntary consensus standards for the North American market as a substitute for national regulatory requirements. These standards initiatives will be joined by moves designed to provide appropriate conformity-assessment services.

MEXICO

Overview

Canada-Mexico relations have expanded significantly over the past decade, particularly since the coming into force of the NAFTA. Mexico is now Canada's most important trading partner in Latin America. By 1999, Canada had become Mexico's fourth-largest trading partner and ranked fourth among foreign direct investors into Mexico.

Since NAFTA implementation in 1994 to the end of 1999, two-way merchandise trade has doubled, reaching over \$13 billion. The growth rate since 1994 has been over 100 percent, both for exports and for imports. Nonetheless, Canada's historical trade deficit with Mexico has persisted, and by the end of 1999 was approaching \$5 billion. (These data are based on respective import figures for Canada and Mexico published by Statistics Canada and the Mexican statistical agency, INEGI. Using these figures provides a more accurate picture of the volume of bilateral trade than does relying solely on each country's import/export data, which does not take into account a large portion of goods trans-shipped through the United States. The statistical agencies of Canada, the United States and Mexico are working to reconcile the data).

The majority of Canadian exports to Mexico are diverse manufactured products. Major export categories include automotive products, computers and parts, machinery and telecommunications equipment, as well as oil seeds, cereals and dairy products. Major Canadian imports from Mexico include automotive products, machinery, furniture, oil, optical products, fruits and vegetables.

Canadian business activity in Mexico has continued to grow as industrial sectors develop and the overall market evolves. Canadian companies are major foreign direct investors, ranking below the United States and the Netherlands, but are virtually even with Germany. Manufacturing, financial services and mining account for over 90 percent of Canadian investment. In trade, DFAIT officials have sustained a concentrated market-development program targeting identified priority sectors (industrial machinery, information technology, agriculture/agri-food, automotive, oil and gas, electrical power and transportation equipment and services), as well as emerging sectors (environmental, cultural and educational products and services).

The Mexican economy underwent a significant transformation during the 1990s, including considerable market liberalization and structural reform. By the end of the decade, Mexico had demonstrated a greater ability to withstand successive external shocks and domestic challenges. This, in turn, strengthened Mexico's credibility and investor confidence, allowing Mexico to differentiate itself increasingly from other emerging markets. This was reinforced by the Government's insistence on maintaining sound