deal would have created preferential access for the U.S. 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 are not 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 barrier. 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, the barrier still affects approximately 20 per cent by value of Mexican imports. The licences 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 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 must still 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 oil refining and basic petrochemicals. Investment performance requirements are also in place in several other sectors, including, importantly, the automobile sector, where investors must submit to trade-distorting export and domestic sourcing requirements. For a North American Free Trade Agreement to achieve its potential for stimulating economic growth, Mexico must open its doors wider for foreign investors, creating more opportunities for everyone.

These negotiations may also offer some modest opportunity to build on the gains made under the Canada-U.S. FTA and improve our access to the market of the United States. We will certainly not