



At the subfederal level, a variety of jurisdictions often impede market access for Canadian exporters. Through activities in various governmental and non-governmental standards-related fora, Canada is seeking more complete implementation by the United States of its NAFTA and WTO subfederal commitments concerning technical barriers to trade.

Canadian and U.S. agencies are co-operating closely to conclude mutual recognition agreements on testing and certification, as well as on the harmonization and joint development of regulations, where this can be of assistance to exporters. For example, the Standards Council is seeking arrangements with appropriate U.S. agencies so that assessments for conformity with U.S. regulations on fasteners and the testing of drivers for substance abuse can be performed in Canada.

Canada is also working to enhance bilateral dialogue at the provincial and state level to increase co-operative activities in the area of standards and regulations development.

Finally, Canada will continue to encourage co-operation with the United States in the development of voluntary standards.

3.2 Mexico

Overview

Mexico offers excellent opportunities for Canadian exporters, service providers and investors. Trade has increased steadily since Mexico implemented a sweeping series of economic reforms in the mid-1980s. Decades-old import barriers were abandoned and policies of privatization have contributed to a significant restructuring of the economy. These gains have created unprecedented demand for various goods, services and technologies, and new possibilities for investment. In 1996, the total value of two-way merchandise trade was \$7.2 billion — a 60% increase over 1993. In 1996, Mexico had a merchandise trade surplus with Canada of \$4.8 billion. Canada's accumulated foreign direct investment in Mexico was \$1.13 billion in 1995; and in 1996, over half a billion dollars of additional Canadian direct investment went into Mexico.

Canada's Trade Action Plan for Mexico, developed by the Department of Foreign Affairs and International Trade (DFAIT) in partnership with a range of domestic stakeholders, outlines the government's

trade development efforts in ten sectors where there is already substantial trade, or where important opportunities are expected to develop over the medium term. Priority sectors include advanced manufacturing technology and industrial machinery; oil and gas equipment and services; and environmental equipment and services.

Managing the Trade Relationship

Canadian access to the Mexican market continues to improve and consolidate under the terms of the NAFTA. An important aspect of the NAFTA for Canada was better access to the Mexican market. Prior to the NAFTA, more than 80% of Mexican exports to Canada entered duty free, while the reverse was not the case. Canadian firms have been able to expand sales in sectors that were previously highly restricted, such as the automotive, financial services, and energy sectors. The elimination of Mexican import licensing requirements and the phasing out of almost all tariffs is helping to provide barrier-free access to a market of over 90 million consumers.

Bilateral trade irritants can generally be resolved in the various NAFTA working groups and committees. The Canadian government will continue to work on behalf of the Canadian private sector to improve access in a number of areas relating to goods, services and investment.

Canada's Market Access Priorities

Improving Access for Trade in Goods

NAFTA Accelerated Tariff Elimination

Virtually all tariffs between Canada and Mexico are being phased out and will be eliminated by 2003. The NAFTA provides for the accelerated elimination of tariffs where countries agree. This is an industry-driven process, whereby tariffs are eliminated based on support in the industry sector concerned. In the first round, Canada has pursued accelerated tariff elimination on several products, such as spandex monofilaments and automotive glass. In the future, Canada will continue to seek accelerated tariff elimination in response to private sector interest, to further improve Canadian access to the Mexican market.