

General Impact

The North American Free Trade Agreement (NAFTA) provides wider coverage of cross-border trade in services than the Canada-United States Free Trade Agreement (FTA).

Like the FTA, the NAFTA requires that accredited professions be licensed on the basis of competence and in the least trade restrictive manner. However, the NAFTA exceeds the FTA provisions on services in two important respects.

First, it bans requirements for citizenship or permanent residency as a condition for accreditation and licensing of professions. Canada, the United States and Mexico have agreed to eliminate any such requirements over two years in all professions. Second, the NAFTA develops a generic blueprint through which all professional service industries can recognize professionals accredited in the other countries (based on education, competence, experience, etc.).

For non-accredited service industries, there are no licensing barriers to cross-border work, although the usual immigration requirements still apply. These are quite easily accommodated through the "temporary entry" provisions, which cover 63 professional categories. Essentially this requires Canadian service providers to show a pre-arranged contract and document their expertise before receiving a work permit.

*Impact on Specific Service Sectors***PROFESSIONAL SERVICES**

Mexico has agreed to open its market to business and professional services, including management, engineering, accounting and foreign legal consulting services. The NAFTA will simplify temporary entry procedures for business persons and place fewer restrictions on professionals. Such travellers will not pay duty on accompanying tools and equipment.

The NAFTA establishes work programs to facilitate the cross-border exchange of engineering and foreign legal consulting services. A regime of temporary licensing for engineers will be developed over three years after NAFTA is implemented, allowing Canadian engineers easier access to U.S. and Mexican markets.

The generic blueprint described above is already being applied in certain professional service industries. Accountants, engineers, architects and actuaries in the three countries are meeting trilaterally and progressing on matters of mutual accreditation.

FINANCIAL SERVICES

Under the NAFTA, Mexico will provide full access to its market after a transition period. Canadian banks, trust companies, securities brokers and insurance companies will be able to open subsidiaries, invest in and acquire ownership of financial institutions in Mexico. The NAFTA improves on the FTA by establishing principles to which all countries must adhere, including equal treatment for foreign-owned and domestic firms. Also, for the first time, this sector will be subject to dispute settlement provisions.

TRANSPORTATION AND OTHER SERVICES

NAFTA is the first international trade agreement to cover all modes of transportation. The NAFTA locks in open markets for busing, trucking and rail between Canada and the United States and opens up the previously closed Mexican trucking market. Full cross-border and investment liberalization in international trucking services in Mexico is to be achieved over the next 10 years. Liberalization of land transport activities is accompanied by a six-year work program to harmonize standards. The trucking industry has been opened, allowing Canadian transporters to carry cargo from Canada to the United States and onward to Mexico more freely. Domestic carriers retain the exclusive right to haul cargo in their own country.

For the first time, specialty air services have been included, creating opportunities for Canadian suppliers, particularly in the high-tech area (aerial mapping and surveying) in both the United States and Mexico. Canada and Mexico have agreed to maintain their relatively open international maritime shipping market.

Like the FTA, the NAFTA excludes basic telecommunications, such as local and long-distance telephone services. However, enhanced services (e.g., advanced data-processing services) are covered and Mexico will be phasing out all remaining restrictions. This will encourage North America-wide competition in the latest telecommunications and computer services.



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