investors are not reviewable under the *Investment Canada Act.*

[10] *NAFTA vs EU*

The European Union has eliminated internal trade barriers but has established a common external tariff and is moving towards common internal regulations covering goods, services, capital and people.

NAFTA members maintain existing import regimes with their other trading partners. There is no comprehensive harmonization of internal regulations or policies, economic, social, cultural or otherwise.

SECTOR-SPECIFIC PROVISIONS

[11] *The Auto Sector*

The Canada-U.S. Auto Pact continues.

The Mexican auto market – the fastest growing in North America – is being opened to Canadian automotive exports. With NAFTA, Canadian manufacturers get immediate access to Mexico for medium and heavy-duty trucks and buses. By 2003, Canada will have open access to the entire Mexican automotive market.

With NAFTA, Mexican tariffs on vehicles and light trucks have been cut in half. In 1998, duties on three-quarters of parts exports to Mexico will be eliminated. Mexican "trade balancing" and "local content requirements" will be phased-out by January 1, 2003.

NAFTA carefully spells out North American content rules for vehicles and auto parts. The North American content requirement for light vehicles including cars and light trucks, to qualify for duty-free treatment, has been raised to 62.5% in two stages over eight years. New plants will have to reach the new content level by January 1, 1998. Major plant refits will have two years.

A clearer, easier to achieve formula for calculating North American content has been agreed to.

NAFTA includes an extension of the duty draw-back until 1996. A new duty refund system thereafter reduces future input costs for Canadian manufacturers.

[12] *Financial Services*

The Canada-U.S. Free Trade Agreement marked the first time financial services were included in a trade agreement. The U.S. agreed to have the principles of national treatment, market access and most-favoured nation apply to financial services.

Under NAFTA, Mexico will provide substantial 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. Canadian financial institutions will be able to service their clients throughout the NAFTA region.

[13] *Other Service Sectors*

NAFTA provides coverage of cross-border services including transportation services, specialty air services (e.g. aerial mapping and surveying), and professional services.

In transportation services, the trucking industry has greater freedom for Canadian transporters to carry cargo from Canada to the U.S. and onward to Mexico.

Canada and Mexico agreed to maintain their relatively open international maritime shipping market.

Mexico agreed to open its market to business and professional services, including management, engineering, advanced data processing, accounting and legal services.

Canadian-based companies are able to bid for major procurement contracts of the U.S. and Mexican governments and state-owned corporations. In the U.S., the services market is approximately $30 billion a year. In Mexico, the state-owned petroleum and electricity corporations contract for more than $8 billion a year in goods and services.

[14] *Textiles and Apparel*

NAFTA contains new, tighter rules of origin requiring greater sourcing in North America. For apparel, the new rules require that yarns and fabrics in a garment be made in North America to qualify under the Agreement. For yarns, the fibres must originate in North America. These new rules are offset by increased "tariff rate quotas" which provide preferential access for Canadian-made garments to the U.S. market.

With NAFTA, Canadian and Mexican tariffs on apparel will be eliminated by January 1, 2003. For textiles, the phase-out will be over by January 1, 2001.