Tariffs are not regarded as an impediment to the flow of steel products between Canada and the U.S. Non-tariff barriers have been a concern and the Canadian industry would like to see any remaining ones removed.

It is possible that increased economic activity in Mexico will result in increased exports of Canadian steel products. However, to the extent that Mexico imported more steel products, one would expect most of them to come from the U.S. especially if it enjoyed a tariff advantage over exports from Canada.

A bilateral agreement between Mexico and the U.S. would affect the investment opportunities in Canada. Canada's preferential access to the U.S. market, obtained under the FTA, would be diluted.

2. Metals and Minerals Processing

The Metals and Minerals processing sector includes all refined non-ferrous metals, ferroalloys, abrasives, refractories and some ceramics.

Mexico is a major producer of copper, lead, gold, silver and zinc. Prices are established on world commodity exchanges and Canada is considered to be competitive internationally. The sector is not expected to be affected by either a bilateral or trilateral agreement.

3. Primary Wood Products (lumber, panels, shingles. etc.)

Canada's trade in primary wood products with Mexico is very modest. Canadian exports to Mexico in 1988, were only $150,000 and imports were $300,000: a fraction of Canada's global trade in such products.

Mexico's trade in wood products with the U.S. is equally moderate. With the minimal levels of existing trade, even a free trade agreement that excluded Canada would not provide Mexico with an advantage that could affect the overall level of Canadian exports to the U.S. or provide the U.S. with an advantage that would threaten Canadian exports, marginal as they are, to Mexico.

Canada has had a minimal share of the primary wood products market in Mexico because of the proximity of sources of supply in the southwestern parts of the United States. These factors, coupled with a growing domestic wood products industry indicate that there would be little impact on the Canadian industry. However, Mexican tariff rates on wood products are in the 10 to 20 percent range and Canadian participation in any North American agreement will ensure access for Canadian exporters to an important market on the same basis as U.S. competitors. The Mexican market, however, would be one that required a significant investment on the part of Canadian industry to develop.