



Country of Origin Labelling Initiatives

Congress is considering three country of origin labelling initiatives for imported food products: the Imported Meat Labelling Act; the Imported Produce Labelling Act; and, a bill to require that retail packages of frozen imported produce display the country of origin on the front panel (current practice allows marking on the back of packages or elsewhere). Although the stated purpose is food safety and consumer information, the initiatives could adversely affect Canadian exports to the United States by introducing unnecessary obstacles to trade.

Canada has long protested U.S. Administration proposals to require front panel marking of frozen produce and the Administration has yet to move to implement such a requirement by regulation. Canada is continuing to object to the similar legislative action. The Government is assessing its position on the other two legislative initiatives and will register its views should the detailed provisions of the bills present adverse consequences for Canadian exports.

MEXICO

Overview

Canada-Mexico 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 1997, the total value of two-way merchandise trade was \$8.243 billion — a 13% increase over 1993, the last year before the NAFTA came into effect. In 1997, Mexico had a merchandise trade surplus with Canada of \$5.697 billion. There is strong evidence to suggest that the recorded value of Canada's exports to Mexico is significantly underestimated, perhaps by as much as 50%. For example, goods from Canada are re-exported through the United States and may not be measured as exports to Mexico. The respective statistical agencies of the three NAFTA countries are now working at "reconciling" their trade data.

Canadian exports have become steadily more diversified, with value-added manufactured products accounting for well over 50% of total Canadian exports to Mexico in 1997. Mexico is now Canada's fourteenth-largest export market and third-largest import source. Canada's accumulated FDI in Mexico was \$1.266 billion in 1996; however, announcements in 1997 of seven significant new investments are strong indications that Canadian direct investment in Mexico is rapidly taking off. During the first four months of 1997, Statistics Canada figures show that Canada ranked third in new FDI into Mexico.

With a record 91 commercial deals worth \$230 million, the January 1998 Team Canada trade mission to Mexico was an unqualified success, further evidence of the business potential that Mexico represents for Canada, particularly for the record number of small and medium-sized enterprises (SMEs) that participated in the mission. The official opening, during the Team Canada trade mission, of the Canadian Education Centre (CEC) Mexico, will help to develop the substantial opportunities that exist in Mexico for Canadian suppliers of education and training services.

To maximize trade promotion efforts, DFAIT has recently updated and published its *Mexico Trade Action Plan*. The document identifies five priority sectors that offer substantial opportunities in areas where demand is expected to develop over the medium term: advanced manufacturing technology and industrial machinery; IT and other advanced technology products and services; agriculture and agri-food; automotive maintenance equipment and after market parts; and oil and gas equipment and services.

Market-opening Results in 1997

In 1997, market-opening results were as follows:

- The completion, in July 1997, of the first round of accelerated tariff elimination among Canada, Mexico and the United States, on a number of key products.
- Measurable progress on an interim work plan and a preclearance program allowing the resumption of exports of certain classes of seed potatoes.
- Signature of a Memorandum of Understanding (MOU) in the Field of Telecommunications to serve as a basis for co-operation in this important area.