

## *North American Free Trade Agreement*

On January 1, 1994 the North American Free Trade Agreement (NAFTA) came into effect, aimed at eliminating trade barriers among Canada, the United States and Mexico. The NAFTA created a free trade area of 360 million people — a market larger than the population of the European Union and one with a total North American output of \$7 trillion.

For Canadian business, an important feature of the NAFTA is that it preserves and, in some cases, enhances the improved access to the United States achieved through the 1989 Canada-U.S. Free Trade Agreement (FTA). Consistent with the FTA, all Canada-U.S. tariffs will be eliminated by 1998.

Although the NAFTA will eventually remove all tariffs between the member countries, each has been allowed to protect some priority industries for limited periods of time. Nonetheless, all quotas and import restrictions on products originating in the NAFTA region have been eliminated.

The NAFTA provides significant benefits for Canadian companies interested in exporting to Mexico:

- virtually all Mexican tariffs will be eliminated within 10 years;
- immediate elimination of many Mexican import licence requirements that restrict Canadian exports;
- simplified customs procedures;
- better access to the Mexican government procurement market;
- easier temporary entry into Mexico for business people and duty exemptions for their accompanying equipment; and
- permission for rail equipment and trucks to enter through and exit from different regions.