

RESPONSE:

- **LABOUR COST IS ONLY ONE OF MANY FACTORS TO BE CONSIDERED BEFORE CHOOSING AN INVESTMENT LOCATION. ONE MAY LIST AMONG THESE FACTORS PRODUCTIVITY, LABOUR QUALIFICATION, AVAILABILITY OF RAW MATERIAL AND PARTS, DISTRIBUTION, AND INVESTMENT REGULATION. ALL ARE IMPORTANT FACTORS WHICH MAKE CANADA COMPETITIVE. IN A NAFTA, WE WILL SEEK TO CREATE A LEVEL PLAYING FOR ALL INVESTORS IN THE CONTINENTAL MARKET.**

AUTOMOTIVE SECTOR : QUESTION #7

Will be the effect of NAFTA on the trade of used automobiles?

Background:

Trade between Canada and the United States-

Before the FTA, Canada had a ban on all used cars. Since January 1, 1989, trade between Canada and the United States in used cars is governed by the FTA. Article 1003 provides the schedule for the phasing out of import restrictions based on age of vehicle. By 1994, there will be no more import restrictions on used automobiles.

U.S. Interests-

Although the majority of trade will occur from the Mexico to the U.S., the U.S. will most likely impose the same import regulations on Mexico as upon Canada. The U.S. estimates at 50 to 60 thousands of used vehicles which are exported illegally from the U.S. to Mexico each year.

Mexican Interests-

Except for some specialty vehicles (trolley buses, off-highway dump trucks, etc. permits are required for the import of all vehicles into Mexico. As a general practice, requests for permits to import used vehicles, particularly passenger cars, are refused. Exemptions can be made and import permits can be granted in special cases like for the import of vehicles that serve the national interest such as those which have been reconditioned and refitted to start a new business or for vehicles considered collector's items. Special registration will permit the import of certain types of vehicles for use in the frontier zones. When duty is levied against the rate on most vehicles is 20%. In the case of used vehicles the value for duty is determined by a method that may result in a higher duty than the actual cost of the vehicle.