

IMPACT OF THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

Under the North American Free Trade Agreement (NAFTA), tariffs on health care products, equipment and devices will be eliminated.

Tariffs on a number of products were eliminated when the NAFTA went into effect on January 1, 1994. Products in this category include furniture, blood grouping reagents, dental fittings and artificial teeth, catgut, plaster, wheelchairs, contact lenses, spectacle frames, electro-diagnostic equipment, dental and ophthalmic instruments, mechano-therapy apparatus, oxygen therapy and breathing apparatus, orthopaedic appliances, artificial body parts, and radiation equipment.

By January 1, 1998, tariffs will be eliminated on another group of products including catheters and all other medical and veterinary appliances and instruments. Tariffs on all remaining health care products, equipment and devices will be eliminated by January 1, 2003.

There is a provision in the NAFTA for accelerated duty elimination, provided that the three countries can reach an agreement. This usually happens in cases where industry petitions government to reduce tariffs more quickly.

The Rules of Origin under the NAFTA are somewhat more flexible in their general application than those in the former Canada-U.S. Free Trade Agreement. There have also been a number of product-specific changes. For example, the value content requirement for a number of medical devices such as patient monitoring systems, electro-cardiographs and defibrillators has been eliminated.

A *de minimus* rule has been introduced which will simplify transactions for goods that are almost wholly made of NAFTA-origin materials. Goods may qualify as NAFTA-origin as long as the value of the non-NAFTA materials used in their production is not more than seven percent of their value.

10. MARKET ENTRY STRATEGIES

Unless a company is contemplating the manufacture of a product in Mexico, the best way to get into the market is usually to engage the services of an agent or distributor. The procurement process used by health care entities is very complex. Suppliers must register with purchasers and ensure inclusion of their product in the *Cuadro Básico*. They must track tender announcements, purchase *bases* and comply with very specific bidding procedures, all of which is conducted in Spanish. These tasks can be very difficult without local assistance.

An agent or representative must have the knowledge of the local market to coordinate the promotion of your product in Mexico and will also play a key role in invoicing the client and ensuring that all documents are in order. This person will be essential should there be difficulties in satisfying the paperwork requirements locally.

