

# North American Free Trade Agreement

## What it Means for Investors in Canada

### **1** *The Market*

Coming into effect on January 1, 1994, NAFTA created a single, North American market of 360 million consumers and a combined GDP in excess of \$8.5 trillion.

Canadian goods, services and capital now have barrier-free access to the affluent U.S. market as well as to Mexico. It is expected that in the near future NAFTA will be expanded to include other nations.

### **2** *Elimination of Tariff and Non-Tariff Barriers*

Canada-U.S. products continue to trade under the schedule negotiated in the Canada-U.S. Free Trade Agreement. Most Canadian exports enter the U.S. free of duty. The remaining tariffs on Canadian exports to the U.S. will be eliminated no later than January 1, 1998. With NAFTA, tariffs on most Canadian exports to Mexico will be phased out by January 1, 2003.

Mexico has provided immediate duty-free access for many of Canada's key export interests including agricultural and fish products, many metals and minerals, most telecommunications equipment, many types of machinery, and certain wood and paper items. Mexican tariffs in sectors such as furniture, pharmaceuticals, and some wood and finished metal products will be phased out by January 1, 2003.

Most of Mexico's non-tariff barriers such as import licences will also be eliminated by January 1, 2003.

### **3** *National Treatment*

NAFTA provides for national treatment, most favoured nation treatment, and the prohibition of trade distorting performance requirements.

Canada, the U.S., and Mexico must treat each other's goods, services, and investors as they treat their own. Once goods, services or investments from one country enter the other, they cannot be discriminated against on the basis of origin.

International investors with investments in Canada are covered by NAFTA if they use Canada as a "home base" to make investments in the U.S. or Mexico.

### **4** *Secure Market Access*

NAFTA ensures secure access for Canadian-based exporters to both the U.S. and Mexico. Clearer North American content rules, including those for autos, reduce the risk of unilateral interpretations by customs officials (see illustration on next page).

### **5** *Improved Dispute Settlement Mechanisms*

Exporters and business investors can be reassured that their interests will be effectively defended in a more transparent and enforceable dispute settlement system.

Disputes arising from the application of duties can be referred to bi-national panels.

Disagreements between investors and NAFTA governments may be settled through international arbitration. Under the Canada-U.S. Free Trade Agreement, a system of bi-national panels was established to review countervailing and anti-dumping decisions and to make binding determinations on whether or not they were in accordance with domestic legislation. NAFTA enhances the FTA rules and has extended them to Mexico. The bi-national dispute settlement system has been strengthened and any uncertainty over its permanency removed.

#### NAFTA Tariff Elimination Schedule

Tariffs Eliminated January 1, 1994	Tariffs Phasing out by 1998	Tariffs Phasing out by 2003
Locomotive and Rail Cars	Hydraulic Turbines	Other Railway Cars and Coaches
Construction Equipment	Air Conditioners	Boats and Drilling Platforms
Telecommunications Equipment	Many Resins	Bicycles
Fertilizers	Most Copper Wire	Most Flat-Rolled Stainless Steel
Health and Medical Equipment	Laundry Soaps	Furniture
Many Chemicals and Plastics	Wood and Paper	Pharmaceuticals

Note: Examples only. For details, consult NAFTA Tariff Schedule of Canada.

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