

## GOVERNMENT PROCUREMENT

The implementation of the NAFTA has brought improvements to the transparency and openness of the Mexican procurement process. There are, nonetheless, outstanding Mexican implementation issues, in addition to ongoing access concerns, which the Canadian government is addressing.

### PEMEX and CFE Set-asides

Mexico negotiated set-asides from full NAFTA procurement coverage for the state oil (PEMEX) and electricity (CFE) firms for a transitional period (1994-2002). Canada will continue to monitor Mexico's application of these set-asides.

### Bid Notification Periods

Chapter 10 obligates the NAFTA parties to publish procurement tenders in a transparent way, so that qualified suppliers from the NAFTA countries have sufficient time to submit bids. A study commissioned by the Canadian government in 1997, and further work this year, have raised concerns about Mexico's compliance with the notification obligations. Canada continues to press Mexico for a response to our concerns.

### Investment

Canadian direct investment in Mexico has increased from \$245 million in 1990 to \$2.2 billion in 1998. This can be attributed in large measure to the NAFTA, which through its Chapter 11 investment provisions has provided enhanced security for Canadian investors.

Other than limitations or exclusions in certain clearly defined sectors (of particular importance to Canada is investment in upstream oil and gas activities), Mexico does not restrict foreign investment in its economy. In addition, the Mexican government's ambitious privatization and infrastructure upgrading program has created new opportunities for Canadian businesses in sectors such as electrical generation, transportation (airports, railways and ports) and natural gas transportation (pipelines) and distribution.

In September 1998, Mexico published an update to the Foreign Investment Regulations to simplify administrative procedures and provide greater juridical security, certainty and transparency.

## FREE TRADE AREA OF THE AMERICAS

The Free Trade Area of the Americas (FTAA) negotiations represent an historic opportunity to unite the countries of this hemisphere in a comprehensive free trade area that will promote regional prosperity and generate enhanced commercial opportunities for all of our economies.

The decision to create an FTAA was made by leaders of the 34 democratic countries of the hemisphere when they met in Miami for the first Summit of the Americas in December 1994. In their Declaration of Principles, leaders resolved to conclude the FTAA negotiations no later than 2005 and to make concrete progress toward achieving that goal by the end of the century. With the conclusion of Canada's chairmanship of the negotiations at the November 3-4, 1999 Ministerial Conference in Toronto, concrete progress has indeed been realized and the groundwork has been laid for the next phase of the negotiations.

### *In 1999, FTAA results were as follows:*

- The Administrative Secretariat for the negotiations was established in Miami under the directorship of a Canadian.
- Progress was achieved on the work programs for the nine FTAA negotiating groups and three other bodies addressing the cross-cutting issues of e-commerce, civil society engagement and the participation of smaller economies.
- In Toronto, at a meeting of the 34 hemispheric trade ministers on November 3-4, 1999, ministers: reviewed the progress of the negotiations; adopted a substantive package of business-facilitation measures; agreed on a statement directed at the Seattle WTO Ministerial Conference on the elimination of agricultural export subsidies; instructed negotiators to develop a draft text of the FTAA Agreement by April 2001; and agreed on a renewed mandate for the FTAA Civil Society Committee.

A copy of the ministerial declaration can be found at [http://www.sice.oas.org/ftaa/toronto/minis/minis\\_e.asp](http://www.sice.oas.org/ftaa/toronto/minis/minis_e.asp)