

### Highlights of the NAFTA: What's In, What's Changed, What's Not

- Like the FTA, the NAFTA forms an integral part of the GATT-based multilateral trade relations system and is fully consistent with the GATT requirements.
- Most tariffs between Canada and Mexico will be phased out in 10 years. In many cases, the tariffs will be eliminated more quickly. The faster phase-outs include such key Canadian export interests as fertilizers; sulfur; aluminum ingots; agricultural, construction and resource machinery; rail and industrial equipment; selected wood pulp and paper items; telecommunications equipment; pre-fabricated housing; printed circuit boards; medical equipment; and auto parts.
- Market-access provisions include new rules on duty drawback, allowing Canadian manufacturers greater flexibility in using input from non-NAFTA sources when these are incorporated into exports of manufactured products to other NAFTA countries.

#### Definitions

**Duty Drawback** — Import duties or taxes repaid by a government in whole or in part, when the imported goods are re-exported or used in the manufacture of exported goods.

**Duty Waiver** — The forgiveness, in whole or in part, of import duties when certain conditions are met.

**Escape Clause or Snapback** — A provision in a bilateral or multilateral agreement permitting a signatory nation temporarily to suspend tariff or other concessions when imports threaten serious harm to the producers of competitive domestic goods.

**Emergency Safeguard** — Actions in the form of additional duties or import quotas applied to fairly traded imports, which nevertheless cause or threaten serious injury to domestic producers

**Exemption** — Provisions in trade agreements, which exempt particular products or situations from a general rule.

- Disciplines on customs administration are greatly improved. There are clear rules on how the Agreement will be interpreted and administered by the customs authorities, with clear procedures for the redress of grievances.
- The rules of origin have been revamped to make their application more transparent and more certain, narrowing the scope for disputes resulting from differences in interpretation and application.
- The NAFTA strengthens Canada's vehicle and parts industry and adds new opportunities for Canadian firms and workers to expand production by adding a previously closed market of 85 million consumers. By removing, over time, existing Mexican restrictions, the NAFTA will not only create a truly integrated North American auto industry but also a fully integrated market for autos and auto parts. All Mexican