

Chapter 6

Opening Doors to North America

Since 2006, Mexico has reopened its border to Canadian boneless and bone-in beef products from cattle under 30 months of age and has been working with Canada on negotiating access for beef products from animals over 30 months. Canada and Mexico have now also negotiated a protocol for the export of breeding cattle from Canada into Mexico. The Government of Canada will also continue to work with both Mexico and the United States on a coordinated North American approach to the regulatory and trade aspects of BSE.

Following the outbreak of avian flu in Canada in 2004, Canada has been working with Mexico to regain access for Canadian live poultry and poultry products to Mexico.

North American Free Trade Agreement

In January 1994, Canada, the United States and Mexico launched the North American Free Trade Agreement, forming the world's largest free trade area with a marketplace of nearly 440 million potential consumers. In addition to eliminating virtually all tariffs on traded goods originating within the area, NAFTA has provided a framework to support strong growth in trade and investment for all three countries:

- Canada's merchandise trade with its NAFTA partners has increased 122% since 1993, reaching \$598.4 billion in 2006.
- Bilateral trade between Mexico and Canada reached \$22.1 billion in 2007, a 387.6% increase from pre-NAFTA levels (1993).

- NAFTA partners accounted for 80.1% of our total merchandise exports in 2007.
- Approximately 57% of Canada's services exports went to our NAFTA partners in 2005.

North American firms have taken full advantage of rapidly changing patterns in global value chains, with intra-firm trade accounting for 30.3% of Canada-U.S. trade in goods in 2005.

Efforts to further enhance and facilitate Canada's trade and investment partnerships are ongoing. Some highlights are outlined below.

Rules of Origin

Rules of origin (ROOs) enable customs officials to determine which goods are entitled to preferential tariff treatment under NAFTA. Liberalizing the rules gives producers more flexibility in sourcing inputs, making it easier for them to qualify for preferential NAFTA treatment.

In February 2008, the NAFTA Working Group on Rules of Origin concluded negotiations on a third package of changes that would liberalize the rules of origin for a variety of goods representing as much as \$95 billion in trilateral trade. It is expected that the liberalizing amendments will be implemented trilaterally later this year, and work has already begun on a fourth package of changes.