

## WHAT'S IN THE AGREEMENT

### TARIFFS

- ◆ Canada and Mexico have agreed to phase out virtually all tariffs over a maximum of 10 years. Mexico has also agreed to eliminate import licences. The tariff reductions will either be immediate or generally phased out in equal annual cuts over 5 or 10 years. Mexico will provide immediate duty-free access for many of Canada's key export interests including many fish items, some grains, many important ferrous and non-ferrous metals and minerals, fertilizers and sulphur, certain wood and paper items, most telecommunications equipment, many types of machinery manufactured in Canada including agricultural, resource and industrial, as well as health and medical equipment. Canada's tariffs on key import-sensitive sectors will be phased out over the long term (10 years) including such areas as apparel, most footwear, toys, plastic articles and other miscellaneous manufactured articles. Canada will impose special tariffs to prevent sudden surges of imports of certain fresh, frozen or prepared fruits and vegetables and cut flowers. Tariff cuts to Mexico's import-sensitive sectors will also be phased in over 10 years, including furniture, pharmaceuticals, certain grains, some wood products, some finished metal products, toys and some sporting goods. Both Canada and Mexico have the right to take safeguard measures that allow them to reimpose duties to protect producers from surges of imports.

### THE AUTO INDUSTRY

- ◆ The NAFTA preserves the Auto Pact and creates new opportunities for Canadian firms and workers in the auto industry. The Mexican market, which was largely closed due to the restrictive Auto Decree, will be opened to Canadian auto exports. Canadian manufacturers will get immediate access into Mexico for medium and heavy-duty trucks and buses.

The Mexican auto market has tremendous potential. It is the fastest growing in North America. The North American content requirement for light vehicles including cars and light trucks, to qualify for duty-free treatment has been raised to 62.5 per cent in two stages over eight years. In a move to encourage new investment in the sector, new plants will have five years to reach the new content level. Major plant refits will have two years. The NAFTA incorporates major improvements in the rules of origin and changes in customs procedures, both of which will help avoid disputes such as those involving the North American content of Honda cars and vehicles made by GM-CAMI.