

United States-

The United States' regard of the decree is not unlike that of the with Canada under the FTA.

Industry interests-

The Big Three will most likely continue to support the accord so long as the agreements limits the entry in some form the Japanese and European entrants.

RESPONSE:

- WE VIEW THE 1989 DECREE AS A POSITIVE STEP TOWARDS THE LIBERALIZATION OF THE MEXICAN AUTOMOBILE INDUSTRY WHICH WAS A LOT MORE RESTRICTIVE PRIOR TO THIS DECREE. HOWEVER, IT IS NOW TIME TO MOVE BEYOND THE STATUS QUO. A NAFTA SHOULD PURSUE THE OPENING OF MEXICO'S AUTOMOTIVE MARKET. AT THE PRESENT STAGE OF NEGOTIATIONS, IT IS TOO EARLY TO DETERMINE THE FINAL OUTCOME OF THE NEGOTIATIONS CONCERNING THE AUTO SECTOR, HOWEVER, UNDER THE NAFTA, WE PROPOSE THAT THE ELEMENTS OF THE MEXICAN AUTO DECREE BE REPLACED BY A CLEARER TRILATERAL RULES OF ORIGIN, COUPLED WITH COUNTRY SPECIFIC SAFEGUARDS.

AUTOMOTIVE SECTOR : QUESTION #6

Considering the low cost of Mexican labour, will Canada remain attractive for investment in the automotive sector? Will Canadian companies not be more attracted to move south and to Maquiladora facilities?

Background:

The term "maquiladora" is generally associated with the plant used by the subsidiary of a foreign firm which employs imported inputs and production machinery to produce manufactured goods for export using inexpensive Mexican labour.

Maquiladoras are exempt from the provisions of Mexico's Foreign Investment Law requiring minority foreign ownership, and virtually all of the Maquiladora firms are 100 % owned by the foreign parent firm.

The United States is the world's largest importer of "Offshore" assembled products and components, and the Maquiladora program has attracted combined domestic and foreign investment greater than \$4 billion dollars (1987-1988 estimates) - representing the number two U.S. dollar generating industry in Mexico, second only to oil.