

NAFTA has propelled the Canada-Mexico relationship to unprecedented levels of trade, investment and cooperation. During his September 29 to 30, 2005, visit to Canada, Mexico's President Fox emphasized the need for all parties to respect the decisions of NAFTA dispute resolution panels. This position complements a key priority for Canada: to safeguard the integrity of NAFTA. For further information on NAFTA, please see the previous section in this chapter.

Trade relations between Canada and Mexico have benefited from the high-level engagement of officials from both countries. Canada and Mexico work closely together as NAFTA partners but have increasingly looked for ways to expand the relationship, including through the use of third-generation agreements such as the trilateral Security and Prosperity Partnership of North America as well as the bilateral Canada-Mexico Partnership.

Following the crisis precipitated by the detection of BSE in an Alberta cow in May 2003, Mexico was one of the first countries to reopen its borders to Canadian exports of boneless beef and certain other products under new sanitary requirements. Agreement was also recently reached with Mexico to re-establish trade for Canadian bone-in beef from animals less than 30 months of age.

In March 2005, Canada, Mexico and the United States agreed to a harmonized, science-based North American import standard for BSE that will provide continued protection of human and animal health and food safety, while establishing a framework for international trade in cattle and beef products within North America. The Government of Canada will continue to work with both Mexico and the United States on a coordinated North American approach to the regulatory and trade aspects of BSE. For more information, please see Chapter 2.

Over the past year, there have been relatively few trade irritants between Canada and Mexico despite rapidly increasing levels of trade. Challenges include a possible uptick in protectionist sentiment, particularly in agriculture, as Mexican federal elections, scheduled for July 2006, draw closer. To ensure fair access for Canadian exporters, the Government of Canada will continue to monitor the implementation of the NAFTA provisions, which include removal of remaining trade restrictions on the import of corn and beans in January 2008. These and a number of other salient issues are described in this document's associated database at <http://www.dfait-maeci.gc.ca/tna-nac/cimap-en.asp>.

In October 2004, the Canada-Mexico Partnership (CMP) was launched. This high-level public-private forum is strengthening bilateral economic and policy cooperation and promoting discussion among the private and public sectors at the highest levels. The partnership helps focus additional efforts on important issues, such as competitiveness, in a manner that complements existing work. Additionally, the CMP's mandate includes identifying obstacles to trade and investment and making recommendations for their removal. The expanding partnership now includes six working groups: competitiveness, agribusiness, urban development, housing, human capital and energy. On September 30, 2005, during the visit of President Fox to Western Canada, the first CMP Report to Leaders was released. The CMP working groups last met in Mexico City on March 7 and 8, 2006, to develop and advance workplans. For further information, please visit <http://www.itcan-cican.gc.ca/cmp-en.asp>.

➔ The Canada-Mexico relationship is no longer just about the North American Free Trade Agreement (NAFTA). The updated CMP report has found the two partners together drive 85% more customers for each country and create 20% more jobs in the country and prosperity partnership (CPT) and the Canada-Mexico Partnership (CMP). The focus for this strategic partnership could not be more precise.

Initiation has been stated in Mexico, doubling from 9% to 18% in nearly 10 years, and the pace has continued with strength and stability forecasts to 2010 over 2.5 percent. Trade and investment flows are up to 1.2 trillion trade agreements with 40 countries, including the world's eighth largest trade. These developments require attention to trade agreements, providing continued security and openness in the face of global competition.

As the Mexico population increases to 120 million by 2020, growth will occur in urban areas, creating pressure to reduce emissions and increasing the need for housing, benefiting agriculture and economic growth.

Canada is Mexico's second most important export market, while Mexico is now Canada's fifth largest export destination. The past decade has seen rapid growth in trade, investment and jobs in an estimated \$1.2 billion. This growth and momentum, supported by the modernization of health services and financial products, will continue to drive economic and social development in the decades.

Mexico's political and legislative challenges will be met by July 2006 and 40 export sectors have expressed a strong interest in working with Canada.

International Trade Canada (ITC) is collaborating with other government departments, federal agencies, provincial governments, universities and other citizens, to develop the next generation strategy for Mexico. The strategy developed in partnership with our private sector will address Canada's 5% increase in bilateral trade and a doubling of bilateral investment by 2010.