Another improvement is the extension of duty drawback for two years beyond the FTA expiry in 1994, and a new duty refund system thereafter, which will reduce future input costs for Canadian manufacturers. The higher content levels, coupled with the improved rules of origin and extension of duty drawback provisions, balance the interests of Canada's diverse auto industry -- the Big Three, the Asian assemblers, and the auto parts manufacturers. The changes will preserve Canada's position as a prime North American location for investment by the auto industry.

Under the NAFTA, Canada can maintain and strengthen its high safety and emission standards for automotive products.

AGRICULTURE

- The FTA continues to govern agricultural trade between Canada and the U.S. Within the NAFTA, Canada and Mexico have a separate agreement. Mexico's market will be opened through the immediate elimination of import licences and phase-out of tariffs. Key Canadian exports include grains, oilseeds, pork, fish, potatoes and processed foods. Canada's import quotas for supply managed egg, poultry and dairy products remain unaffected by the Agreement. Mexico will also exclude these sectors. Canada and Mexico retain the right for 10 years to impose special tariffs to prevent sudden surges of import-sensitive products. For Canada, the safeguards apply to certain fruits and vegetables. Health and safety standards are maintained and can be strengthened.

TEXTILES AND APPAREL

- The NAFTA contains new, tighter rules of origin requiring greater sourcing in North America. For apparel, the new rules require that yarns and fabrics in a garment be made in North America to qualify under the Agreement. For textile fabrics, the rules are largely unchanged. For yarns, the fibres must originate in North America. These new rules have been offset by increased "tariff rate quotas" which provide preferential access for Canadian producers to the U.S. market. The FTA quota for non-wool apparel has been doubled; for wool apparel, the quota will increase steadily for five years; the quota for fabrics has now been made permanent and nearly tripled; and a new quota has been set for yarns at four times the 1991 export levels. Unlike in the FTA, most quotas are to be increased by 2% per year for five years, with possible further upward adjustment in the future. Canada's tariffs on Mexican textiles and apparel will be phased out over a long term (10 years for apparel; 8 years for textiles). The FTA duty drawback rights have been improved and extended, reducing input costs for Canadian manufacturers.