

NAFTA - FTA

HOW THE NAFTA AFFECTS THE FTA

The NAFTA incorporates many of the rights and obligations of the Canada-U.S. Free Trade Agreement (FTA). All the basic elements of the FTA remain intact, including provisions to protect cultural industries, social services, supply-managed commodities and the Auto Pact. The NAFTA preserves, expands and strengthens the gains that Canada made in the FTA. Key improvements include:

- ◆ clearer and more precise rules of origin, particularly in calculating North American content in the auto sector, which will narrow the scope for disputes such as the Honda and CAMI cases;
- ◆ working groups to determine customs matters, such as how audits will be interpreted and administered by customs authorities in the three countries, and clear grievance procedures;
- ◆ Canada's import quota system in support of supply management remain untouched;
- ◆ expanded access to U.S. markets for textiles and apparel under special quotas;
- ◆ addition of land transportation services, phasing-out of rules against moving international cargo from Canada through the U.S. into Mexico;
- ◆ easier temporary entry to NAFTA countries for business people;
- ◆ stronger mediation and panel procedures to settle trade disputes among NAFTA partners, including, for the first time, those on banking and securities services;
- ◆ further discipline on U.S. energy regulators to reduce their capacity to interfere with Canadian sales in the U.S.;
- ◆ explicit recognition of the right to limit foreign investment when government services are privatized;
- ◆ more stringent discipline regarding U.S. imposition of border restrictions against imports from Canada;
- ◆ inclusion of precedent-setting environmental provisions;
- ◆ addition of intellectual property rights protecting the work and inventions of Canadian creators, inventors and researchers;
- ◆ extension of duty drawback for two years beyond the FTA expiry date in 1994. This will be replaced in 1996 by a permanent duty refund system that will reduce input costs for Canadian manufacturers who still pay duties on goods shipped into other NAFTA countries; and
- ◆ lessening of U.S. restrictions on how goods are marked to indicate their country of origin.