NORTH AMERICAN FREE TRADE AGREEMENT

THE NAFTA MANUAL

August 1992

CONTENTS

The NAFTA Manual

HIGHLIGHTS

OF THE

NORTH AMERICAN
FREE TRADE AGREEMENT

(NAFTA)

AUGUST 1992

CANADA'S KEY OBJECTIVES MET

Barrier-Free Access to Mexico

- Phase-out of tariffs for virtually all Canadian exports to Mexico over 10 years;
- Elimination of Mexican import licensing requirements for goods;
- Opportunities to bid for major Mexican government procurement contracts;
- Canadian financial services companies will be able to open subsidiaries, invest in, and acquire financial institutions in Mexico (banking, securities and insurance);
- Major liberalization of the restrictive Mexican investment regime;
- Liberalization of the Mexican services market, including land transport, specialty air services, professional services, and enhanced telecommunications (e.g., advanced data-processing services). Agreement between Canada and Mexico to maintain their relatively open international maritime shipping services.

FTA Benefits Plus Improvements

- The Auto Pact remains;
- Protection of Canada's cultural industries;
- Social services and health services are protected;
- High health, safety and environmental standards are preserved and can be strengthened;
- Canada's supply management import quotas for egg, dairy and poultry products are not affected;
- Unlike in the Free Trade Agreement (FTA), transportation services (including land and specialty air services) and intellectual property rights are included;
- Clearer North American content rules, including for autos, reducing the risk of unilateral interpretations by customs officials;
- The impact of the new rules of origin for textiles and apparel is offset by increases in the quotas giving preferential access to the U.S. market for Canadian goods that do not meet the rules of origin;
- Extension for two years of duty drawback beyond the FTA expiry 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 into other NAFTA countries;
- Clearer disciplines on energy regulators to avoid discriminatory actions against contractual arrangements, benefiting Canadian gas exporters;
- More stringent discipline on the United States for imposing border restrictions against imports from Canada; and
- Improved dispute settlement procedures.

Canada -- An Attractive Place to Invest

- Canada will be on an equal footing in competing for investment in North America because the NAFTA ensures secure access for our exporters to both the United States and Mexico.

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.

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.

ENERGY

- The NAFTA energy provisions create a new framework in which Canadian firms will have new opportunities.

  The NAFTA limits Mexico's use of restrictive trade practices in the sector. It contains disciplines that prohibit Mexico from applying discriminatory border restrictions and export taxes. In the petrochemical sector, the elimination of Mexican investment restrictions, coupled with immediate elimination of trade restrictions on most petrochemicals, offers important opportunities for Canadian companies. The Agreement also contains clearer disciplines on energy regulators to avoid discriminatory actions and to minimize disruption of contractual arrangements. This is an important gain for Canadian gas exporters to the United States.

  The NAFTA provisions reflect unique factors, like Mexico's constraints on private ownership in its energy sector. While Mexico did not agree to security of supply provisions, neither did it obtain security of supply for its imports or security of access for its exports.

SERVICES

- The NAFTA provides wider coverage of cross-border trade in services than the FTA, including transportation services and new areas of professional services. In transportation services, the trucking industry has been opened to allow greater freedom for Canadian transporters to carry cargo from Canada to the U.S. and onward to Mexico. Domestic carriers in each of the three NAFTA countries retain the exclusive right to haul cargo within their own country.

  For the first time, specialty air services have been included, opening opportunities for Canadian suppliers particularly in the high-tech area (aerial mapping and surveying) in both the U.S. and Mexico. Canada and Mexico have agreed to maintain their relatively open international maritime shipping market. Mexico has agreed to open its market to business and professional services, including management, engineering, accounting and legal services. The Agreement will simplify temporary entry procedures for business persons and place fewer restrictions on professionals. Such travellers will not pay duty on accompanying tools and equipment.

  Like the FTA, the NAFTA excludes basic telecommunications such as local and long-distance telephone services. However, enhanced services (e.g., advanced data-processing services) are covered. This will encourage North America-wide competition in the latest telecommunications and computer services in which Canada excels.

FINANCIAL SERVICES

- Under the NAFTA, Mexico will provide full access to its market after a transition period. Canadian banks, trust companies, securities brokers and insurance companies will be able to open subsidiaries, invest in, and acquire ownership of financial institutions in Mexico. In an improvement on the FTA, the NAFTA establishes principles to which all countries must adhere, including equal treatment for foreign-owned and domestic firms. Also, for the first time, this sector will be subject to dispute settlement provisions.

INTELLECTUAL PROPERTY

- The NAFTA includes comprehensive coverage of intellectual property rights encompassing standards and rules of enforcement. The patents, trademarks, copyrights and trade secrets of Canadian companies and individuals will be protected under these provisions. Patent protection will be the same in all industrial sectors. The inclusion of intellectual property in the Agreement is a major improvement over the FTA.

INVESTMENT

- Under the NAFTA, Mexico will reduce investment restrictions on dozens of sectors, including autos, mining, agriculture, fishing, transportation and most manufacturing. Investor-state arbitration has also been included so that disputes between investors from a NAFTA country and a NAFTA government may, at the investor's request, be settled through international arbitration. This will give Canadian investors in the United States and Mexico added confidence and security. Canada retains the right to review foreign takeovers in Canada consistent with current policy.

STANDARDS

- The NAFTA allows Canada to maintain its high standards for health, safety and the environment. It also establishes rules to prohibit standards, regulations and procedures that are unnecessary obstacles to trade. The NAFTA establishes a Standards Committee to address technical standards problems before they become trade irritants. The Agreement affirms the resolve of the NAFTA partners to protect, enhance and enforce workers' rights and to improve working conditions in each country.

THE ENVIRONMENT

- The NAFTA represents an important step forward in dealing with trade and the environment. It contains more environmental provisions than any previous trade agreement. Canada was an active proponent of a number of the environmental provisions. The NAFTA contains a strong commitment to sustainable development and environmental protection and enforcement. It recognizes the right of each NAFTA country to maintain environmental standards higher than those recommended by international organizations. The Agreement also recognizes that the NAFTA countries should not lower health, safety, or environmental standards to attract investment.

  Mexico's commitment to improving its environment, combined with the removal of Mexican trade barriers on equipment and services, will present Canadian suppliers with new opportunities.

GOVERNMENT PROCUREMENT

- The NAFTA provides for better access to government procurement of goods, services and construction in all three countries. In addition, there are improved procedures to cover tendering, challenges to bids and provisions for dispute settlement. The scope and coverage of procurement contract opportunities available to Canadian companies under the NAFTA increase from $20 billion under the General Agreement on Tariffs and Trade (GATT) and FTA to $70 billion. This will open up opportunities for Canadians, including suppliers of electrical, oil and gas, and telecommunications equipment and of building materials; consulting engineers; and high-tech software providers.

DISPUTE SETTLEMENT

- When disputes arise involving interpretation of the Agreement, the NAFTA provides an effective, timely and impartial method of resolving them. The general dispute settlement provisions (Chapter 18 of the FTA) have been drafted to incorporate the entry of a third party (Mexico). These include such aspects as institutional provisions (e.g., creation of a trilateral trade commission), procedures for the selection of panelists, provisions for scientific advice from environmentalists and other experts, and greater transparency. The possibility of unilateral action by any one country has been limited.

The FTA includes a unique dispute settlement system providing for binational panel review of final anti-dumping and countervailing duty determinations (Chapter 19), instead of judicial review by domestic courts. In the NAFTA, this system has been strengthened. The binational panel system will continue to function as it has for the past four years under the FTA. Under the NAFTA, Canadian exporters will have access to binational panel review of Mexican anti-dumping and countervailing duty determination instead of judicial review by Mexican courts. In addition, a new provision has been added to safeguard the dispute-settlement panel system, to ensure that panels are established and their decisions are implemented. If one country denies another these benefits, the affected country will now have recourse. Obligations ensuring the establishment of panels and the implementation of their decisions were enshrined in the Canadian law implementing the FTA. The new provision will ensure that the application of Mexican and American law does not frustrate the binational dispute settlement panel process.

WHAT'S NOT IN THE NAFTA

- The NAFTA preserves the FTA exemption for cultural industries. Canada's ability to maintain existing cultural support measures -- as well as to introduce new ones -- is undiminished. It has not been watered down or changed. Government health and social services are fully protected, as in the FTA. They are specifically excluded from NAFTA provisions. Canadian government policy prohibiting the large-scale export of water is unaffected.

WHAT IF OTHER COUNTRIES WANT TO JOIN THE NAFTA?

- The NAFTA includes an "accession" clause permitting other countries to join provided they meet all the necessary requirements and submit to NAFTA disciplines. Each original NAFTA partner will have the right to approve admission of another country.

CONTENTS

Focus on Issues

CANADA'S PROSPERITY: THE TRADE LINK

- Canada's prosperity is directly linked to our success in the world marketplace. The creation of jobs and wealth at home depends on our ability to compete successfully abroad.

- One-quarter of Canadian jobs and one-quarter of our national wealth depend on trade. That's a huge investment in the global economy.

- The government launched the Prosperity Initiative last year to ensure that our economy becomes stronger and more competitive. Following intensive community consultations across the country, specific plans to ensure that Canada can make the most of its abilities and potential will be announced in September.

- But doing better at home is only part of the solution. Canada needs improved and more secure access to world markets to exploit our economic strengths.

- Our global trade plan is designed with precisely that end in mind. That explains why we have been leaders in the Uruguay Round, why we entered the Canada-U.S. Free Trade Agreement (FTA) and why we pursued the North American Free Trade Agreement.

- The advantages of freer trade -- with the improved market access and better trade rules we are achieving -- are clear for Canada's workers, for our companies which produce goods and provide services, and for our investors.

- More open access to foreign markets under fair-trade rules will help the Canadian economy become even more competitive. This will eventually pay off in more and better jobs in Canada, better deals for our consumers, and increased national wealth to help us support and improve our social programs.

- Canada is already a great trading nation. We had a merchandise trade surplus of $7 billion with the rest of the world in 1991. But we cannot afford complacency. The Prosperity Initiative will give us the tools to compete even better; our global trade plan will provide us the opportunity to use those tools.

COMMONLY ASKED QUESTIONS

Does the emphasis on North America divert our trade and investment from other areas such as Asia and Europe?

The FTA and the NAFTA are part of a global approach to trade. They reinforce our attempts to get freer trade worldwide, and they dovetail with our key trade promotion initiatives such as Pacific 2000, Europe 1992 and Going Global. Our regional arrangements are entirely compatible with the rules of world trade as set out in the General Agreement on Tariffs and Trade (GATT) and, in fact, can be seen as contributing to the trade liberalization being sought under the GATT. In addition, as we improve our competitiveness by selling to the huge North American market we will be better placed to compete aggressively in other markets.

Should Canada be putting more effort into reform of the GATT, the cornerstone of world trade?

We have been working hard on the Uruguay Round for several years now and will continue to do so. It is our top trade priority. Unfortunately, progress is slow. The opportunities for early success in the NAFTA talks were clearly greater and we could not afford to ignore that. However, our commitment to successful GATT reform through the Uruguay Round remains undiminished.

Our two-way trade with Mexico is small. How does a deal with Mexico contribute to our prosperity and trade agendas?

Mexico is a market of 85 million people that is expanding rapidly and is at the forefront of economic and trade liberalization throughout Latin America. But Mexico has had a highly protected economy through high tariffs and import licences. The NAFTA will change that, giving Canadians access to this dynamic market and a competitive edge in both the U.S. and Mexico over our rivals from other parts of the world. It will contribute both to our prosperity and to the process of adapting to doing business on a more open and global basis.

FTA BENEFITS

BOLSTERING EMPLOYMENT

- Every billion dollars' worth of exports creates or maintains 15,000 Canadian jobs. In the period 1989-91, Canada's exports to the U.S. increased by over $31 billion or 11% compared to the three years leading up to the Canada-U.S. Free Trade Agreement (FTA).
- The FTA has assured and improved access to U.S. markets, keeping existing jobs in Canada, and creating new jobs that might otherwise have gone to the U.S.
- Employment in relatively high-paying managerial, administrative, professional and technical occupations in Canada have increased by 200,000 since the FTA came into effect, helped in part by new export opportunities in the U.S. market.

INCREASING EXPORTS

- Despite the recession and a relatively strong Canadian dollar, in the period 1989-1991, Canadian merchandise exports to the U.S. grew by 10.7% to $323.7 billion from $292.5 billion in the period 1986-1988.
- In May, U.S.-bound exports were $10.1 billion, just short of the all-time high reached in April, and total exports to the world hit a new all-time record monthly high of $12.9 billion.
- Canada's merchandise trade surplus with the U.S. in the first five months of 1992 is running at an annual rate of $20 billion, its highest total since 1985.

LOWER PRICES AND SAVINGS TO CONSUMERS AND BUSINESS

- Duty elimination under the FTA on imported components saved Canadian manufacturers and businesses in excess of $600 million.
- A 1991 study by the University of Toronto concluded that the FTA has placed "some downward pressure on inflation."

HIGHER INVESTMENT

- Since the FTA there has been a dramatic turnaround in American investment in Canada. Since 1989, Canada has been the net recipient of an average of $2 billion per year.

- More investment is going into job-creating manufacturing facilities -- an average of 55% of annual total investment flow.

- A Canadian Manufacturers' Association survey of some 325 companies conducted in April and May 1992 found that nearly half the companies said they increased capital investments in Canada after the FTA came into effect while only 9% reduced investment.

INCREASING PRODUCTIVITY

- Real manufacturing output per person in Canadian industry rose by 0.4% in 1991, an unprecedented occurrence in a recession (in 1982, it fell by 4%).

- According to the Bank of Montreal, Canada's manufacturing productivity (not adjusted for inflation) rose 6.8% in 1991, compared to 1.3% in the U.S.

- Wood Gundy forecasts call for productivity in manufacturing to be up possibly as much as 8% in 1992, and 12% in 1993.

EFFECTIVE DISPUTE SETTLEMENT

- The FTA has provided Canada with a mechanism to ensure that disputes, which inevitably arise in the world's largest two-way trading relationship, are handled in a fair and expeditious manner.

- Under the FTA, of 12 completed cases involving challenges of U.S. trade actions against Canada, 7 have resulted in positive decisions for Canada.

- Decisions have generally been unanimous -- meaning American experts support the Canadian position.

- Experts consider the FTA dispute settlement mechanisms to be better than those of the GATT. Not only is FTA dispute settlement faster, but Chapter 19 FTA panel decisions are binding.

- In a number of instances the FTA has been used successfully to head off and protect Canada from new and potentially damaging U.S. trade legislation before it was passed into law.

CANADA'S KEY OBJECTIVES MET

BARRIER-FREE ACCESS TO MEXICO

- Phase-out of tariffs for virtually all Canadian exports to Mexico over 10 years;
- Elimination of Mexican import licensing requirements for goods;
- Opportunities to bid for major Mexican government procurement contracts;
- Canadian financial services companies will be able to open subsidiaries, invest in, and acquire financial institutions in Mexico (banking, securities and insurance);
- Major liberalization of the restrictive Mexican investment regime;
- Liberalization of the Mexican services market, including land transport, specialty air services, professional services, and enhanced telecommunications (e.g., advanced data-processing services). Agreement between Canada and Mexico to maintain their relatively open international maritime shipping services.

FTA BENEFITS PLUS IMPROVEMENTS

- The Auto Pact remains;
- Protection of Canada's cultural industries;
- Social services and health services are protected;
- High health, safety and environmental standards are preserved and can be strengthened;
- Canada's supply management import quotas for egg, dairy and poultry products are not affected;
- Unlike in the Free Trade Agreement (FTA), transportation services (including land and specialty air services) and intellectual property rights are included;
- Clearer North American content rules, including for autos, reducing the risk of unilateral interpretations by customs officials;
- The impact of the new rules of origin for textiles and apparel is offset by increases in the quotas giving preferential access to the U.S. market for Canadian goods that do not meet the rules of origin;
- Extension for two years of duty drawback beyond the FTA expiry 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 into other NAFTA countries;
- Explicit obligations on energy regulators to avoid discrimination against NAFTA partners and to minimize disruption of contractual arrangements;
- More stringent discipline on the United States to limit its ability to impose border restrictions against imports from Canada; and
- Improved dispute settlement procedures.

CANADA -- AN ATTRACTIVE PLACE TO INVEST

- Canada will be on an equal footing in competing for investment in North America because the NAFTA ensures secure access for our exporters to both the United States and Mexico.

COMMONLY ASKED QUESTIONS

Why does Canada need to be involved in the NAFTA?

The NAFTA preserves Canada as a preferred location for investments in goods and services for the integrated North American market. Being part of the NAFTA negotiations gave Canada the opportunity to improve upon the gains it made in the FTA. The NAFTA gives Canada access to a growing and dynamic market of 85 million people in Mexico.

By being part of the NAFTA, Canada has signalled its willingness to adapt to the realities of global trade liberalization. With Canada in the NAFTA, we are in a position to take advantage of -- and influence -- the future of the larger hemispheric trading relationship.

Why was it necessary to improve upon the FTA in the NAFTA?

After several years' experience with the FTA, we identified some areas where improvements would be beneficial. A good example would be more predictable rules of origin to prevent disputes like the Honda Civic case. Clearer guidelines have been achieved that spell out precisely how the North American content for autos should be calculated. Improvements were also made in other areas, with whole new sectors added, such as land transportation services and intellectual property rights. Those FTA provisions that have passed the test of time have simply been rewritten in the NAFTA to include Mexico.

What incentive is there to invest in Canada when Mexico has the advantage in labour costs?

The wage issue is just one of many considerations when deciding to invest. Canada has a number of advantages that make it a competitive location for investment. Good transportation and communications links, access to affordable capital, abundant energy resources, and an educated and highly skilled work force are some of our key competitive advantages.

EXPORT OPPORTUNITIES IN MEXICO

Canadian exports to Mexico were up by 100% during the first five months of this year compared to the same period in 1991.

- The trade deal should open up a total North American auto parts market of more than $12.8 billion by 1994.
- Mexico is updating and improving its telecommunications system to the tune of $30 billion over the next 10 years.
- Mexico's commitment to addressing its pollution problem creates increased demand for more sophisticated and specialized pollution control equipment and technology -- a market worth more than $280 million.
- Computer and computer parts exports to Mexico are growing fast. The computer software market alone -- estimated at $1.4 billion this year -- could be one of the most lucrative for Canadian exporters under a NAFTA.
- The consumer and leisure products market in Mexico is rapidly expanding -- Canada is already Mexico's sixth largest supplier.
- Recent reductions in duties on electric components entering Mexico make foreign producers even more competitive than before.
- The Mexican forestry industry is highly dependent on imports of machinery, with a market estimated at $55 million by 1994.
- Recent privatization in the steel industry and plans to modernize facilities will open a steel technology and equipment market worth some $100 million by 1994.
- Mexico is the thirteenth largest consumer of machine tools, importing 90% of its needs.
- The Mexican mining industry equipment and services, estimated at $164 million by 1994, relies on imports for over 80% of its needs.
- The oil and gas equipment market in Mexico is worth more than $2 billion.
- Mexican agricultural machinery purchases are expected to exceed $273 million by 1994.
- There is a large market for expertise in irrigation and drainage.
- With a NAFTA, Canada should surpass its 1990 level of $116 million worth of agricultural products exports to Mexico.
- Mexico will buy $610 million of plastics and resins this year.
- A growing $2.5-billion-a-year tourism industry -- Mexico's second-largest industry after oil -- offers opportunities in restaurant equipment and supplies.

For more information on trade opportunities in Mexico please contact the Latin America and Caribbean Trade Division of External Affairs and International Trade Canada at (613) 996-5547 or (613) 995-8804. Our fax number is (613) 943-8806.

MEXICO'S MAJOR ECONOMIC REFORM

- Embarked on an ambitious economic reform program in the 1980s.
- Joined the General Agreement on Tariffs and Trade (GATT) in 1986.
- Since then, the average tariff dropped from 25% to 10%; the highest tariff dropped from 100% to 50%.
- Dropped many requirements for import licences.
- In 1988, environmental laws underwent major reform, setting tough new standards. Funds for enforcement have increased eight-fold.
- Inflation dropped from 160% in 1987 to 18% in 1991.
- Sweeping tax reforms instituted, tax loopholes eliminated and enforcement improved.
- 770 of the 1,155 state-owned firms privatized.
- Sweeping reform of intellectual property rights.

CANADA-MEXICO TRADE

- Two-way trade exceeded $3 billion in 1991 and will exceed $5 billion by the end of the decade.
- Canada's exports to Mexico were up by 100% for the first five months of 1992.
- In 1991, Canada's trade deficit with Mexico was $2.1 billion.
- 80% of Mexican exports enter Canada duty free.
- Mexican duties are on average more than twice as high as Canadian duties.

MAJOR MEXICAN EXPORTS TO CANADA

- Iron and steel products, motor vehicle parts, telegraphic and television equipment, ignition wiring sets, vegetables, petroleum products, electrical appliances and components, fruits, filters and purifiers, and air conditioners.

MAJOR CANADIAN EXPORTS TO MEXICO

- Iron and steel products, motor vehicle parts, telegraphic and television equipment, helicopters, sulphur, fertilizer, wood pulp, meats and livestock, engines, and newsprint.

TRADE PROMOTION IN MEXICO

MEXICO: A MARKET OF OPPORTUNITY

- The NAFTA offers opportunities for many sectors. The Canadian government has a range of services to assist companies wanting to market goods and services in Mexico.
- In 1988, 193 Canadian entrepreneurs contacted the Canadian Embassy in Mexico. In 1991, that figure rose to 2,200, and in the first six months of this year, that number increased to 4,450.
- Over the next six months, External Affairs and International Trade Canada (EAITC) will undertake 20 trade promotion projects covering a wide variety of sectors in Mexico.
- These projects will give Canadian companies the market intelligence, local contacts and purchasing data they need to position themselves in the local market.
- Canada Expo'92 in Monterrey -- the largest solo trade exhibition ever organized by EAITC in Latin America, held in January 1992 -- resulted in 16 potential joint-venture agreements, reported on-site sales of $2.9 million and another $80 million in projected sales. More than two-thirds of the 206 companies present were first-time visitors to Mexico and the majority were small and medium-sized firms.
- Canadian exports to Mexico rose by about 100% in the first five months of 1992.

A SAMPLE OF PLANNED TRADE PROMOTION ACTIVITIES

- Expo Metal Mechanica 92: Machine Tool and Metalworking: August 1992
- Computer Software Products Mission to Mexico: September 1992
- Guadalajara Agricultural Exposition: September 1992
- Plastics Technology Exhibition: Plastimagen 92: September 1992
- Oil and Gas Exposition: Expo Petro y Chem 92: November 1992
- Fisheries Products and Technology Expo: Pesca 92: August 1992
- Telecom Expo: ExpoComm 93: February 1993
- National Retailers and Wholesalers Expo: ANTAD 93: March 1993
- Process Control Mission: November 92

Services Available to an Exporter Interested in the Mexican Market:

Industry, Science and Technology Canada (ISTC) and External Affairs and International Trade Canada (EAITC) have a number of programs in place, designed to help exporters get started. These include:

Marketing Studies

There are 27 such studies covering sectors of opportunity for Canadian companies available now from EAITC.

Market Advisory Services and Programs

- In Mexico, embassy trade commissioners provide advice and assistance to Canadian business;
- International Trade Centres are located in regional offices of ISTC in major cities across Canada and provide a contact point to discuss programs and services available;
- Geographic and industry sector divisions at EAITC in Ottawa can give companies advice on markets for products and services, major capital projects, details on access to markets, and trade fairs and missions.

Export Development Corporation (EDC)

The EDC has programs to help Canadian exporters compete more effectively in international markets by reducing financial risks in support of export sales, and has already set up credit lines with major Mexican banks.

Program for Export Market Development (PEMD)

This program offers Canadian businesses financial assistance to undertake or participate in various trade promotion activities that focus on generating export sales. In addition:

- Trade associations, including the Automotive Parts Manufacturers' Association, the Canada-Mexico Committee of the Canadian Council for the Americas, and the Vancouver Board of Trade, will also be recruiting member firms for exploratory market trips and follow-up visits.
- A number of provincial government trade missions (Alberta, B.C., New Brunswick, Nova Scotia, Ontario, Quebec and Saskatchewan) are also expected to visit Mexico within the next eight months to pursue trade opportunities of interest to regional exporters.

For more information, contact the Latin America and Caribbean Trade Division of External Affairs and International Trade Canada at (613) 996-5546 or InfoExport 1-800-267-8376.

NAFTA - FTA

HOW THE NAFTA AFFECTS THE FTA

The North American Free Trade Agreement (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 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;
- Canadian producers have the same access to the Mexican market as U.S. producers;
- Canada's import quota system in support of supply management remains untouched;
- Expanded access to U.S. markets for textiles and apparel under special quotas;
- Addition of land transportation services, phasing out 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 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 U.S. restrictions on how goods are marked to indicate their country of origin.

COMMONLY ASKED QUESTIONS

Is the FTA working?

Yes. Independent studies suggest that, without the FTA, the economic impact of the recession and global restructuring would have been much greater. Canada's exports to the U.S. continue to climb. They were up by 8.8%, a record three-month high, in the first quarter of 1992 compared to 1991.

If the FTA is working, why did Canada suffer an economic slowdown shortly after it came into force?

Along with other industrial countries, Canada experienced a recession in 1990-91. Yet Canada's exports, especially to the United States, are growing at the fastest pace in three years. In 1991, Canada exported $15 billion more in goods to the U.S. than it imported. With one out of four jobs in Canada dependent on trade, those are encouraging figures. In addition, foreign investment in Canada has increased sharply, reflecting investor confidence in the Canadian economy and support for trade liberalization. Statistics Canada reports that Canada's overall productivity rose 1.5% in 1991, an extraordinary achievement in a period of recession. Meanwhile inflation is below 2% and interest rates are at the lowest level in 17 years.

Why have manufacturing jobs declined in Canada?

Manufacturing jobs declined over the past 25 years while jobs in the service industries increased. It is not true that the FTA has caused a net loss in jobs and wrong to assume the NAFTA will harm Canada's overall employment picture. Labour adjustment is not unique to Canada. The recession and competitive factors in global trade have forced all countries to adopt new technologies and obtain materials from all over the world. Streamlining in manufacturing has triggered productivity improvements that economists predict could increase by as much as 8% in 1992.

The NAFTA gives Canadian exporters privileged access to a new market of more than 85 million Mexicans. If Canada can carve out even a small share of that vast and growing market, we will inevitably create jobs. For every billion dollars of new exports, 15,000 jobs are created.

How can you say that the new rules of origin for autos, textiles and apparel have brought improvements?

The new automotive rules of origin mean that significant assembly and auto parts manufacturing will occur in Canada, while ensuring that Canada remains an attractive site for off-shore investment in this key sector. For textiles and apparel, the impact of the rules of origin is more than offset by increased quotas into the U.S. market for goods that do not meet the new requirements.

NAFTA - REMOVAL OF TARIFFS AND TRADE BARRIERS

WHAT'S IN THE AGREEMENT

- Virtually all Mexican tariffs eliminated within 10 years;
- Immediate elimination of many Mexican import licences that restrict Canadian exports;
- Gradual removal of Canadian duties on Mexican imports that compete with sensitive Canadian products. This will occur over 10 years to give Canadian producers time to make adjustments. No tariff reductions in poultry, eggs, dairy products or sugar.
- Safeguards that allow Canada to reimpose duties to protect Canadian producers from surges of imports;
- Extension for two years of duty drawback beyond the FTA expiry 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;
- Simplified customs procedures;
- Easier temporary entry to NAFTA countries for business people and duty exemptions for their accompanying equipment;
- Permission for rail equipment and trucks to enter through and exit from different ports;
- Disciplines on how goods are marked to indicate their country of origin; and
- Duty requirements eased for repairs on all goods, along with clarification of U.S. procedures on ship repairs.

BENEFITS FOR CANADA

- Opportunity to correct the trade imbalance between Canada and Mexico, which is now weighted in Mexico's favour;
- Immediate elimination of Mexican tariffs and import licences on a range of fish products exported from Canada;
- Immediate access to Mexican markets for Canadian fertilizers and sulphur; early access for some aluminum, agricultural, construction and resource machinery, rail and industrial equipment, selected wood and paper items, telecommunications equipment, pre-fabricated houses, printed circuit boards, medical equipment and most auto parts;
- Creates new opportunities for such sectors as environmental products, lumber products, consumer and leisure goods; and
- Duty drawback extension avoids rising input costs for Canadian exporters.

COMMONLY ASKED QUESTIONS

Will elimination of our duties result in a flood of Mexican imports?

Close to 80% of Mexican goods already enter Canada duty free. Tariffs on the remaining imports will be phased out, with the duties on import sensitive products being phased out over 10 years. This will give Canadian producers time to adjust. If there are surges of imports, the NAFTA includes provisions for Canada to reapply the original duties to protect Canadian producers.

How high are Mexican tariffs? Are they really an obstacle to trade?

Mexican duties are, on average, more than twice as high as Canadian duties. Indeed, Mexican duties add an average of 10% to the cost of Canadian goods, and are often as high as 20%. In addition, Mexican import licences have proved a serious obstacle to trade in the past. Their elimination will result in a significant opening up of the Mexican market for Canadian exports, especially for fish and grains.

How does the NAFTA affect tariff phase-outs under the FTA?

The NAFTA will have no effect. Canada-U.S. products will continue to trade under the schedule negotiated in the FTA. The last remaining tariffs with the United States will be phased out by 1998, while tariffs will remain on some Mexican imports until 2003.

NAFTA - TARIFF REDUCTION HIGHLIGHTS -- PART I

Canada and Mexico have agreed to the following reductions in duties. Tariffs will be eliminated within 10 years.

Aerospace

- Mexico -- immediate elimination for all aircraft, parts, radar and navigational equipment.

- Canada -- already duty free.

Autos

- Canada and Mexico -- immediate or five-year phase-out for 75% of automotive parts; Tariffs on passenger cars and light trucks are reduced by 50% immediately, with remaining duties phased out over five years for cars, 10 years for trucks; Buses, trucks, specialty and heavy vehicles tariffs phased out in 10 years.

Chemical, Pharmaceutical and Plastics

- Mexico -- immediate elimination on sulphur, aluminum oxide and hydroxide, carboxylic acids, nitrogen function compounds, sulphates, potassium chloride and other mineral/chemical fertilizers; Five-year phase-out for radioactive elements and isotopes; 10-year phase-out for pharmaceuticals.

- Canada -- generally matches Mexico phase-out; Immediate phase-out for products not made in Canada; 10-year phase-out for plastic sanitary ware, plastic articles, floor coverings and luggage.

Electrical Equipment

- Mexico -- immediate or five-year phase-out for electrical relays, co-axial cable, gas and steam turbines, electrical tools, lighting equipment, photosensitive semi-conductor devices, electrical plugs and sockets, and electroplating machines.

- Canada -- tariff phase-out generally matches Mexico's; 10-year phase-out for ballasts, some batteries, and hand-held drills.

Ferrous and Non-Ferrous Metals

- Mexico -- immediate or five-year phase-out for coal, nickel, magnesium, copper and unwrought, non-alloyed aluminum ingots;

- Canada -- already duty free for most of above goods.

- Mexico and Canada -- 10-year phase-out for most iron and steel and their products.

Forest Products

- Mexico -- immediate phase-out for Canadian export interests including chemical pulp, softwood lumber for timber frame construction, beech lumber, veneers, shakes and shingles, softwood mouldings, some newsprint, some coated and uncoated papers, and wooden prefabricated houses; Five-year phase-out for railway ties, maple lumber, some other newsprint and fibreboard. A five to 10-year phase-out on most other paper products. Ten-year phase-out for most other forest products; The Canadian prohibition on the export of logs remains as in the Canada-U.S. Free Trade Agreement (FTA).

- Canada -- already duty free on most items; Five-year phase-out for most further manufactured wooden products (e.g., window frames).

Fish

- Mexico -- immediate elimination on most fresh and frozen fish including trout, salmon, sole, herring, mackerel, haddock, hake, most dried and smoked fish and many shellfish including crabs; Five-year phase-out for lobster, scallops, halibut and prepared fish, including fish sticks; 10-year phase-out for sardines, frozen fillets and shrimp.

- Canada -- already duty free for most items. Five-year phase-out for further processed fish products.

NAFTA - TARIFF REDUCTION HIGHLIGHTS -- PART II

Canada and Mexico have agreed to the following reductions in duties:

Food and Beverage Industry

- Canada and Mexico -- no phase-out for sugar or our supply-managed dairy, poultry or eggs.
- Mexico -- immediate elimination for dried peas, some dried beans, mustard flour, millet, honey, lentils, rye, buckwheat and Canadian Whisky -- all Canadian export interests; Five-year or 10-year phase-out for most food products; 10-year phase-out on other grains, pork, and vegetable oils including canola.
- Canada -- most Mexican food exports to Canada already duty free, including tropical fruits and vegetables and those outside the Canadian growing season; 10-year phase-out for sensitive fruit and vegetables; Five-year phase-out for most other products.

Footwear

- Canada and Mexico -- 10-year phase-out on most footwear, including leather boots; Eight-year phase-out on some leather shoes; Immediate phase-out for some specialty sports footwear, most of which is not made in Canada.

Industrial Equipment

- Mexico -- generally immediate, with some five-year phase-out. Includes Canadian export interests in resource, construction, agricultural, environmental and industrial equipment such as bulldozers; front end loaders; excavators; unloading machinery; cranes; paper and paperboard making machinery; dryers for wood and paper; coal and rock cutters; heat exchangers; centrifuges; milling, sanding, sawing, drilling and boring machines; tractors, ploughs, harrows, cultivators, weeders, combine-harvesters and other harvesting machinery; poultry incubators; filtering and purifying equipment; plastic and rubber injection, extruding and moulding machines; packaging and wrapping machinery; parts for generators; spark ignition engines and parts; gas turbine parts; weighing devices; roller bearings; and many combustion engine parts.
- Canada -- most industrial equipment already duty free. Immediate elimination for most remaining items. Five years for such areas as compressors, water boilers and furnace burners.

Information Technology

- Mexico -- immediate phase-out for telecommunications and high-tech products, including, pbx switching apparatus, modem digital multipliers, transmission apparatus, fibre optic cables; cathode ray tubes for televisions and computers, and monolithic and hybrid integrated circuits.
- Five-year phase-out for tariffs on telephone sets, central switching apparatus and printed circuits.
- Canada -- mostly duty free already, or immediate elimination for most of the above products; Five-year phase-out for televisions and printed circuits.

Rail and Urban Transit

- Mexico -- immediate elimination for most rail products, including rolling stock, locomotives, urban rail cars and their parts including bogies, axles and wheels; 10-year phase-out on a few products, including passenger coaches and air brakes.
- Canada -- immediate elimination in this sector, except for 10-year phase-out for self-discharging railway cars and cargo containers.

Recreational, Household and Healthcare Products

- Mexico -- immediate elimination for Canadian export interests in health and medical equipment, including electro-diagnostic apparatus and x-ray equipment; The rest a mix of immediate, five-year and 10-year phase-outs.

- Canada -- immediate elimination for consumer products not made in Canada (e.g., hairdryers and toasters); Five-year phase-out on most sporting equipment; 10-year phase-out for toys, roller skates, some brooms and miscellaneous manufactured items.

Furniture

- Mexico and Canada -- 10-year phase-out for most household and office furniture; Immediate elimination for medical furniture.

Textiles and Apparel

- Mexico and Canada -- 10-year phase-out on all apparel; Eight-year phase-out on most textile products; Six-year phase-out on certain textile products, including wool fabrics; Immediate elimination of duties on denim fabrics; and linen yarns and fabrics.

NAFTA - RULES OF ORIGIN

WHAT'S IN THE AGREEMENT

- Clear and predictable rules that build on the Canada-U.S. Free Trade Agreement (FTA), allowing NAFTA preferential duties on a good after it has undergone a specified change from one tariff description to another;
- For some products, there will also be a second test based on the value of the content originating in the NAFTA countries. Two alternative formulae for calculating value content will give exporters flexibility. Products other than autos and footwear would qualify for preferential duties at 50% North American content under the net cost formula;
- Cohesive, new rules of origin for autos and auto parts, with a requirement of 62.5% North American content for light vehicles (including cars and light trucks) and their engines and transmissions, and 60% for other auto goods to qualify for duty-free access to U.S. and Mexican markets;
- For apparel: new rules of origin requiring that yarns, as well as fabric in a garment, be made in North America; for most yarns, new rules requiring that fibres be sourced in North America;
- Extended and enlarged quotas into the U.S giving preferential tariff treatment to Canadian textiles and apparel not meeting the rules of origin;
- Improved rules of origin for computers, telecommunications equipment and other high-tech equipment;
- Changes to FTA rules requested by Canadian producers (e.g., on computers, copper products, and certain household appliances).
- The FTA rules are continued in the NAFTA for many products, including most agricultural, food and beverages products, minerals, most chemicals, pulp and paper, wood products, most rubber and plastic products, much machinery and equipment, and most base-metal products;
- Uniform regulations to ensure the rules of origin are interpreted and applied uniformly in the NAFTA countries; and
- A mechanism to settle differences in interpreting and administering the rules of origin.

BENEFITS FOR CANADA

- A clearer and more predictable formula for calculating value content of automobiles and parts, thereby creating greater certainty for the North American auto industry;
- New quotas giving preferential tariff treatment to textiles and apparel that do not meet the rules of origin substantially exceed current export levels. Quotas in two key sectors are more than double the FTA levels. A 2% annual growth rate will also apply on most quotas for at least five years;
- Improved, straightforward rules for computers, telecommunications products, and other high-tech and electronic goods;
- FTA rules of origin are retained on a wide variety of exports, providing stability for those industries already benefiting from the FTA; and
- Improved dispute settlement procedures will constrain unilateral determinations, as occured in the Honda case.

COMMONLY ASKED QUESTIONS

How will the new formula on rules of origin help the auto industry in Canada?

The new formula is clearer and more straightforward than the FTA formula and provides more certainty for manufacturers. The formula addresses the problems of ambiguity experienced under the FTA regarding the types of costs that can be included. Manufacturers will be required to trace their North American content, thereby ensuring that the real North American level is calculated accurately. Content levels calculated under the formula are less likely to be misinterpreted and challenged. The new formula should encourage more sourcing of auto parts in Canada.

Did Canada agree to more restrictive rules of origin for textiles and apparel than existed in the FTA?

Canada agreed to accept the new rules only if, at the same time, Canadian producers obtained better access to the U.S. market. This was done by enlarging the special quotas contained in the FTA that extend the preferential duties to textiles and apparel that do not meet the rules of origin. The new quotas give the apparel industry ample opportunity to increase its exports to the U.S. under preferential conditions. The quotas substantially exceed the existing export levels of the Canadian apparel industry. Two of the three key quotas established in the FTA have been more than doubled in size. The quotas have also been made permanent and, in most cases, will increase by 2% annually for at least the next five years. In addition, the Agreement includes review clauses which will allow for future adjustments in light of changing circumstances.

Will the new rules of origin hurt Canada's textile and apparel industries?

Both industries benefited from the FTA and both stand to gain from the NAFTA. Since the FTA, our apparel exports to the U.S. have increased in value by 60%, with Canada holding a trade surplus. Our exports of yarns have more than doubled, with fabrics and fibres registering increases of 15% and 50% respectively.
The NAFTA will ensure that Canadian exporters continue to benefit from participation in an expanding hemispheric market. The tariff rate quotas negotiated by Canada will provide substantial room for export growth where goods do not meet the rules of origin.

NAFTA - STANDARDS

WHAT'S IN THE AGREEMENT

The provisions on standards-related measures:

- Maintain Canada's high standards for health, safety and the environment;
- Ensure that standards and technical regulations are applied without discrimination to products and certain services of Canadian, Mexican and U.S. origin;
- Establish rules to prohibit standards, regulations and procedures from being used as unnecessary obstacles to trade;
- Require central governments to take "reasonable measures" to ensure state, provincial and local governments, as well as private standards organizations, comply with the NAFTA rules;
- Promote the use of international standards;
- Encourage agreements between governments and between private standards organizations for mutual acceptance of test results and certification procedures;
- Provide for a more open development and application of standards through further consultation among regulators and greater access to information on technical regulations; and
- Establish a Trilateral Committee to facilitate the raising of standards and compatibility among the three countries and act as a forum for consultation and co-operation.

BENEFITS FOR CANADA

- Canada's high standards will be preserved: each country has the right to maintain standards to achieve legitimate objectives, including environmental protection;
- Canadian exporters will encounter fewer barriers to trade at the federal and state levels in the U.S. and Mexican markets;
- More compatible standards will contribute to enhanced Canadian competitiveness by reducing the burden of compliance with different standards; and
- The NAFTA Standards Committee will be able to address technical standards problems before they become trade irritants, and act as a forum for continued enhancement of health, safety and environmental standards.

COMMONLY ASKED QUESTIONS

Is there a risk that Canada's high technical standards will be lowered to those of Mexico?

No. On the contrary, the NAFTA ensures the right of each country to preserve its existing standards and technical regulations and to adopt new ones that are more stringent than international standards.

Harmonization of standards does not imply accepting either the lowest common denominator or the middle ground. The NAFTA standards chapter calls for co-operation in the enhancement of the protection of human, animal and plant life, and of the environment, and provides the impetus for Mexico to raise its standards.

How can we be sure that these new rules on standards will not be used as barriers to trade?

The NAFTA prohibits using standards as unnecessary obstacles to trade.

The NAFTA will encourage the establishment of similar standards in all three countries. In turn, this will make trade among the three countries easier. Industries will be encouraged to work together, on a sectoral basis, on developing new compatible standards that will be applicable throughout North America.

Industry associations have a vested interest in setting generally accepted standards for their respective sectors. Compatibility of standards will reduce the burden on multi-product Canadian companies trying to comply with the numerous North American standards currently in force.

Have you done anything to prevent companies from avoiding tough Canadian environmental laws by moving to Mexico?

Mexico has some of the toughest environmental legislation of any developing country (comparable to U.S. and Canadian legislation). It is now taking steps to enforce those laws.

The reality is that enforcing environmental laws takes money. Greater prosperity will enable the Mexican government to continue to clean up the environment -- and that means no longer tolerating companies that pollute.

The NAFTA includes a recognition by all three countries not to lower environmental standards to attract investment. The closer relationship fostered by the NAFTA will also bring closer examination of environmental practices by citizens of all three countries.

NAFTA - AGRICULTURE

WHAT'S IN THE AGREEMENT

The agricultural provisions of the Canada-U.S. Free Trade Agreement (FTA) remain the basis for agricultural trade between Canada and the United States. Canada and Mexico negotiated a separate market access agreement on agriculture. The main elements are:

- Retention of Canada's import quotas and tariffs for poultry, eggs and dairy products; Mexico will also exclude these sectors;
- On sugar Canada will match Mexican tariffs;
- Phasing out of all remaining Mexican tariff and non-tariff barriers that hinder Canadian exports;
- Immediate elimination of Mexico's import licences on wheat, with progressive tariff removal over 10 years;
- Immediate elimination of Mexico's import licences on barley and table potatoes. Immediate duty free access for specified quantities of barley and table potato exports, and barrier-free access after 10 years;
- Immediate elimination of Mexico's tariffs on dried peas, mustard flour, millet, honey, lentils, rye and buckwheat; other tariffs will be phased out over 10 years with the exception of corn, and some dried beans (15 years).
- Improved access to Mexico for pork, apples and potato products, with barrier-free access after 10 years;
- Removal by Canada of restrictions on the import of Mexican wheat and barley, beef and margarine;
- Maintaining for 10 years the right to impose automatic tariff safeguards when imports of certain fresh, frozen or prepared fruits and vegetables, and cut flowers, exceed specified levels;
- On exports to Mexico, an understanding that Canada and the U.S. will not use export subsidies except where competition is subsidized; and
- Agreement by all three countries not to use health and sanitary regulations as disguised trade barriers.

BENEFITS FOR CANADA

- Canadian producers can compete in Mexico on the same basis as U.S. producers;
- Canada's import quota system in support of supply management for dairy, egg and poultry sectors remains untouched;
- Mexico's import restriction on wheat is converted to a low tariff immediately and then phased out over 10 years; Mexico's markets will be open to key Canadian exports such as grains, pork, and potato products;
- Canada is well positioned to benefit from the growing demand in an increasingly affluent Mexico for food products; and
- Canada's high health and safety standards for agriculture are maintained and can be strengthened.

COMMONLY ASKED QUESTIONS

Why did Canada make a separate agreement on agriculture with Mexico?

This allows us to negotiate improved opportunities in Mexico's markets while keeping Canadian import quotas in support of the supply management system.

How can Canadian fruit and vegetable producers compete against Mexico, with its longer growing season and lower wages?

Mexican fruit and vegetable exports to Canada are small and most of them are already entering duty free during the winter months, when Canada has to import fresh produce. Canadian horticultural producers will be shielded during the transition period for sensitive commodities. NAFTA will provide export opportunities for Canadian temperate fruits (apples, blueberries) and potatoes and potato products.

What was accomplished with respect to export subsidies?

On exports to Mexico, there is an understanding that Canada and the U.S. will not use export subsidies except where competition is subsidized. The overall question of export subsidies is being addressed in the Multilateral Trade Negotiations, as this is a global issue.

NAFTA - THE AUTO INDUSTRY

WHAT'S IN THE AGREEMENT

- Preservation of the Canada-U.S. Auto Pact;
- Cohesive, new rules of origin for autos and auto parts, with a requirement of 62.5% North American content, in two stages over eight years, for light vehicles and their engines and transmissions, and 60% for other auto goods, to qualify for duty free access to the U.S. and Mexican markets.
- New plants will have five years to reach the new content level; major plant refits will have two years;
- A clear and straightforward method to calculate the North American content of autos and auto parts; content will be traced, thereby insuring a more accurate calculation;
- Extension for two years of duty drawback beyond the FTA expiry 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;
- Elimination, after 10 years, of Mexico's protectionist Auto Decree which has distorted investment and restricted imports;
- Immediate, significant improvements in access for Canada into Mexico for autos produced by assemblers which already have operations in Mexico (i.e., the Big Three);
- Immediate access for Canada into Mexico for medium and heavy duty trucks and buses;
- Removal of Mexican tariffs on most auto parts within five years and on all auto products within 10 years;
- Embargo for used cars maintained for 25 years;
- Canada retains its high safety and emission standards for automotive products; and
- Establishment of a Trilateral Automotive Standards Council to review issues related to automotive standards.

BENEFITS FOR CANADA

- Canada-U.S. Auto Pact is preserved; auto rule of origin provisions of the Canada-U.S. Free Trade Agreement (FTA) clarified;
- Canada's number one export industry has new opportunities and a key sector of the Canadian economy is strengthened;
- Higher content rules create opportunities for auto parts producers, who employ two out of three workers in the auto sector;
- Canada has improved access to the Mexican markets -- the fastest growing auto market in North America -- and barriers to Canadian exports are reduced immediately and removed at the end of 10 years;
- The imbalance between Canada's open auto market and Mexico's highly restricted market has been addressed;
- Autos produced in Canada will have the same duty-free access to the Mexican market as autos produced in the U.S.;
- New rules of origin and improved dispute settlement procedures reduce the likelihood of customs actions such as the one against Honda;
- Creates certainty for the auto industry. Canada therefore remains a good place for foreign investors, including Asian auto manufacturers;
- Pressure on parts producers to relocate to Mexico to satisfy local content requirements has been relieved and will be eliminated in 10 years; and
- Canada retains its high safety and emission standards for automotive products.

COMMONLY ASKED QUESTIONS

How will the NAFTA help Canadian exports?

Many of the benefits of the NAFTA will accrue to Canada's auto industry because virtually all Mexican automotive parts already enter Canada duty free. The NAFTA will help correct the trade imbalance by reducing and eliminating Mexican barriers. In addition, the new rules of origin for trade in North America will improve opportunities for Canadian auto-parts manufacturers faced with growing pressure from low-cost suppliers in Brazil and Southeast Asia.

Will the NAFTA solve the U.S. customs problems faced by Honda Civics from Ontario?

A new formula to calculate the North American content of autos produced in Canada and improved dispute settlement procedures should avoid repetition of the Honda Civic case. Manufacturing processes previously disallowed by U.S. customs under the old FTA rules will now be included. Under the new net cost formula, a company can include virtually all of its North American costs in determining the origin of an automobile for customs purposes.

Will the new 62.5% rules of origin discourage investment by Asian car makers and result in job losses?

The new 62.5% rule was agreed to after extensive consultation with all segments of the Canadian industry, including Asian car makers. The new content level, combined with the new rules of origin and eventual unrestricted access to the fast growing Mexican market, will create additional opportunities for all segments of the Canadian auto sector.

Will low-paid Mexican workers take away jobs from Canadian auto workers?

No. An integrated North American market is essential to increase opportunities for the industry and preserve and create jobs for auto workers. Wages represent a small part of the cost of production. Other factors play a much more important role. Canada's strength will remain in providing highly skilled labour, using outstanding technology, employing innovative production practices within the auto industry and having a highly developed infrastructure. Our strength is reflected in recent decisions by the Canadian-based assemblers to invest close to $3 billion in new plants. Large, modern assembly plants will provide significant opportunities for Canadian parts manufacturers who are located close to these plants.

NAFTA - TEXTILES AND APPAREL

WHAT'S IN THE AGREEMENT

- For apparel: the new rules of origin require yarns and fabrics in a garment to originate in North America to qualify for duty preference; under the Canada-U.S. Free Trade Agreement (FTA) only the fabrics had to be North American;
- For textiles: the rules of origin on fabrics remains largely unchanged from those in the FTA; for most yarns, the fibres must originate in North America;
- Significantly larger quotas providing preferential access to the U.S. for apparel and textiles that do not meet the rules of origin. For non-wool apparel, the quota has almost doubled in size from that contained in the FTA. For wool apparel the quota will increase by 6% within five years. The quota for fabrics is nearly tripled in size from that in the FTA. A quota for yarns affected by the new rules of origin is nearly four times the size of Canada's exports to the U.S. in 1991;
- These special quotas have now been made permanent. They will also be subject to growth rates, in most cases 2% annually, for at least five years;
- Review clauses have been included to allow future upward adjustment of quotas and improvements in rules of origin; and
- Reciprocal phase-out of Canadian and Mexican tariffs over a 10-year period for apparel and over eight years for most textile products.

BENEFITS FOR CANADA

- Canada's access to the U.S. market has been maintained, and is in most cases improved;
- Expanded and extended quotas for products that do not meet the rules of origin will offset the new rules;
- Higher quotas not only fully accommodate existing levels of Canadian textile and apparel exports to the U.S. but also allow for substantial growth;
- Long-term tariff phase-out (10 years for apparel; eight years for textiles) provides time for adjustment;
- Canada's exports of textiles and apparel to the U.S. have increased significantly under the FTA and are expected to grow under the NAFTA;
- With access guaranteed by the NAFTA to an integrated North American market, Canada will remain an attractive location for investment in the textile and apparel industries; and
- Extension for two years on duty drawback beyond the FTA expiry 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 into other NAFTA countries.

COMMONLY ASKED QUESTIONS

Will the restrictive rules of origin hurt the apparel and textile industries?

We have succeeded in offsetting the more restrictive rules through increases in our quota access. The new quotas for Canadian textiles and apparel leave substantial room for export growth. For example, the new yarn quota is nearly four times higher than last year's exports to the U.S. Compared to the FTA levels, the quota for non-wool apparel has doubled and the quota on fabrics has almost tripled. The non-wool apparel quota is set at nearly twice the level of all non-wool apparel exports to the U.S. in 1991. A 2% annual growth rate has also been added to these quotas for at least the first five years. The tariff rate quota for wool apparel will also increase by 6% within five years and would allow for substantial increases in exports of Canadian wool suits and other wool apparel from current levels.

What adjustment programs are in place to assist the apparel industry?

Canadian import tariffs on apparel from Mexico will be removed over 10 years to allow the industry time to adjust. The federal government is considering several initiatives to assist the apparel industry in becoming more competitive, including providing better tariff treatment on its fabric and yarn imports.

Will the low wages paid to Mexican workers give them a competitive edge?

Mexican exports of textile products to Canada are extremely low. Only 0.5% of our apparel imports come from Mexico. We are confident about our industry's ability to compete. The Mexican apparel industry produces cheaper, low-quality items while the Canadian industry is moving into high-quality designer fashions.

What are the prospects for Canadian exports?

Canadian textile and apparel exports to the U.S. have grown since the FTA came into effect and are expected to grow under the NAFTA. Canada currently exports more apparel to the U.S. than it imports. Our apparel exports to the U.S. have increased by 60% since the FTA. Canadian yarn exports to the U.S. have more than doubled in the same period. Our fibre exports have increased by 50% and our fabric exports by 15%.

NAFTA - SERVICES

WHAT'S IN THE AGREEMENT

- Wider coverage of cross-border trade in services than in the Canada-U.S. Free Trade Agreement (FTA), including transport services, as well as additional professional services, so that now virtually all are covered;
- Liberalization of international bus, truck and specialty air services (e.g., aerial mapping and surveying) between the three countries, and agreement between Canada and Mexico to maintain their relatively open international maritime shipping services;
- Secure access to Mexico's fast growing market for enhanced telecommunications services;
- Encouragement of professionals to develop mutually acceptable standards in key areas leading to mutual recognition of licensing and certification;
- Specific commitments to facilitate mutual access for engineers and foreign legal consultants;
- Removal within two years of citizenship and permanent residency requirements as conditions of licensing professionals; and
- Clear protection of services provided by government, in areas such as law enforcement, correctional services, income security or insurance, social security or insurance, social welfare, public education, public training, health and child care.

BENEFITS FOR CANADA

- For Canadian exporters of services (e.g., consulting engineers, computer services), the NAFTA will open new marketing opportunities in the U.S. and Mexico;
- Service providers are no longer required to set up shop locally in order to offer a cross-border service (except where justified for regulatory reasons, e.g., consumer protection);
- Canada can continue to establish its own standards, particularly for the professions, based on competency, training and experience;
- Land transportation services (bus, truck and rail) included for the first time; and
- New opportunities in the U.S. and Mexico for Canadian providers of specialty air services.

COMMONLY ASKED QUESTIONS

Which services have been excluded by Canada from the NAFTA?

Key services Canada has excluded from the NAFTA are passenger and cargo air services, basic telecommunications, cultural industries, and government services such as health and social services.

Are government health and social services open to takeover by privately owned or foreign firms under the NAFTA?

No. The government retains the right to provide services in areas such as law enforcement, correctional services, income security or insurance, social security or insurance, social welfare, public education, public training, health, and child care. This is explicitly provided for in the NAFTA. If a province wishes to privatize any service related to health care, it may establish regulations requiring that the service be provided only by Canadian-owned firms.

NAFTA - FINANCIAL SERVICES

WHAT'S IN THE AGREEMENT

- Full access into Mexico's financial markets for Canadian and U.S. financial institutions over time, which until now has been denied to foreign firms;
- Canadian and U.S. banking, insurance and securities firms will be able to establish wholly owned subsidiaries in Mexico. Initially, foreigners will be subject to certain market share limitations, but these will disappear by the year 2000. Further safeguard provisions in banking and securities if market shares of Canadian and U.S. subsidiaries become extremely large, but these apply only until, at the latest, 2007;
- The Agreement establishes principles to which all countries must adhere, including market access, equal treatment for foreign owned and domestic firms, and most-favoured-nation status for the NAFTA parties;
- The establishment of a consultations process with annual trilateral meetings, or more if deemed necessary. Consultations may include regulators;
- For the first time, banking and securities services will be subject to the disciplines of a dispute settlement mechanism, which was not the case in the Canada-U.S. Free Trade Agreement (FTA).

BENEFITS FOR CANADA

- Significant new expansion opportunities for Canadian financial institutions in the developing Mexican market;
- The FTA has been improved to include clear principles or "rules of the road" defining our trade relationship with the U.S. and Mexico in financial services;
- Matters such as an enhanced consultation and dispute settlement process will allow for greater opportunities to discuss and resolve industry concerns with the other NAFTA parties.

COMMONLY ASKED QUESTIONS

Did Canada gain better terms for Canadian banks in the U.S. market?

While no specific commitments have been secured from the U.S., the Agreement does contain a set of important principles which U.S. law must respect. Under the Agreement, Canadian banks and other financial institutions will be entitled to the same treatment as U.S. institutions in all future U.S. liberalization initiatives.

Will there be a long transition period before Canadian banks, securities and insurance companies can operate in Mexico?

Canadian financial institutions will be able to establish wholly owned subsidiaries. These firms will, however, be subject to market share limitations which will be removed by the year 2000. There are also safeguard provisions in banking and securities if market shares of Canadian and U.S. subsidiaries exceed specified thresholds.

Will the NAFTA result in more foreign ownership of Canadian banks and other financial institutions?

The NAFTA extends to Mexico the benefits of market access that Canada provided to the U.S. in the FTA. However, Mexican financial institutions are not at this time strongly export oriented, so it will be many years before any meaningful Mexican investment into Canada can be expected. With respect to the U.S., the NAFTA does not provide any new market opportunities that did not previously exist, so there is no reason to expect any change in foreign investment by the U.S. in Canadian financial institutions.

NAFTA - TELECOMMUNICATIONS

WHAT'S IN THE AGREEMENT

- As under the Canada-U.S. Free Trade Agreement (FTA), protection of basic telecommunications, such as telephone services;
- Elimination of Mexican trade barriers to the provision of enhanced services (e.g., advanced data processing services);
- Access to contracts offered by government-operated telecommunications services in Mexico;
- Guaranteed access to and use of telecommunications networks in the three countries;
- Future compatibility of standards for telecommunications equipment in Canada, the U.S. and Mexico;
- Immediate removal of Mexican tariffs on all telecommunications equipment, except central switching apparatus and telephone sets, which are phased out in five years.

BENEFITS FOR CANADA

- The NAFTA preserves Canadian control of basic telecommunications services;
- The NAFTA expands and improves business and investment opportunities for the industry in one of the world's fastest growing markets;
- Mexico's demand for imported telecommunications products is expected to grow by 42% by the year 2000 as Mexico modernizes and integrates its telecommunications with the rest of North America;
- There is strong market potential for Canadian world-class telecommunication equipment and systems;
- NAFTA will encourage the development of competitive networks providing a market for Canadian developers of enhanced telecommunications services, such as electronic messaging services or advanced data networks, data banks and electronic mail.

COMMONLY ASKED QUESTIONS

Will the NAFTA allow U.S. giants like AT&T to move into Canada?

The NAFTA will not open the door for foreign-owned telephone companies to provide basic telephone service in Canada. Canada's limitation on foreign ownership remains in effect.

As under the FTA, foreign companies such as AT&T may operate in Canada, but only as resellers of basic telephone services or as providers of enhanced services. They cannot own or control telecommunications facilities in Canada. Canada's 20% limit on foreign ownership of basic services has not been altered by the NAFTA.

Is the NAFTA another step towards bringing U.S.-style deregulation to Canada, similar to the recent Canadian Radio-Television and Telecommunications Commission (CRTC) decision on long-distance telephone competition?

The NAFTA will not lead to U.S.-style telephone deregulation, as the provision of basic telecommunications services has been excluded from the NAFTA. In Canada, decisions on deregulation have been made, and will be made, on the basis of what is best for Canadians. That was the basis for the recent decision by the CRTC which introduced competition for long-distance telephone services.

What is the difference between the FTA and the NAFTA in the telecommunications sector?

Both agreements maintain a competitive environment for the provision of computer services and enhanced telecommunications services, which means anything beyond basic telephone services. This would include automatic answering services, E-mail services and data processing services. NAFTA contains broader rules which guarantee that providers of enhanced services and companies can operate their own private networks. It also establishes a program to recognize compatible equipment standards.

NAFTA - TRANSPORTATION SERVICES

WHAT'S IN THE AGREEMENT

Unlike the Canada-U.S. Free Trade Agreement (FTA), the NAFTA includes comprehensive provisions on land transportation services. The main elements are:

- Greater freedom to provide trucking services and bus transportation services into Mexico;
- Opening up the trucking of cargo between the United States and Mexico over a six-year period. (Canada does not restrict either the U.S. or Mexico. Mexico was previously closed to foreign trucking);
- Gradual removal of Mexican foreign ownership restrictions on international trucking firms over a ten-year period;
- Commitment to harmonize, over a three- to six-year period, operating and safety standards, including drivers' licences, equipment standards (such as the weight and length of trucks) and the transport of dangerous goods;
- A program of co-operation among the three countries to maintain and enhance environmental and safety standards;
- Liberalization of trilateral trade in specialty air services, including aerial mapping;
- Agreement between Mexico and Canada to maintain their relatively open international maritime shipping services;
- Agreement to consider within seven years a possible liberalization of ownership of domestic trucking companies in Mexico;
- Current regulatory regimes for domestic trucking and bus sectors remain.

BENEFITS FOR CANADA

- Easier shipment of goods by land across borders throughout North America;
- Gradual phasing out of Mexican investment restrictions giving Canadian carriers time to develop long-range business plans, such as expanding fleets and routes across North America;
- Canadian companies have the same competitive advantages in Mexico and the U.S. as their U.S. counterparts;
- Canadian truckers can carry goods to the U.S., for example, pick up cargo there, deliver it in Mexico, and make the return trip, delivering Mexican cargo to both U.S. and Canadian destinations;
- Canadian and Mexican international maritime shipping firms can operate into each other's markets;
- Canadian shipyards have greater opportunities to do repairs on U.S. merchant vessels;
- Canada's operating and safety standards for transportation are maintained and Canada retains the right to strengthen them.

COMMONLY ASKED QUESTIONS

Does the agreement mean that Mexican and American truckers can compete with Canadians on routes within Canada?

No. The NAFTA allows truckers only to transport international cargo from one country to another, not to pick up and deliver cargo to points within the country. Domestic carriers have the exclusive right to haul cargo within their own country.

Will changing the rules on international cargo cause difficulty for the Canadian trucking industry?

No, because Canada currently maintains an open regime vis-à-vis both Mexico and the U.S. Canada therefore will not have to make any regulatory changes, unlike Mexico and the U.S., both of which will have to change their regimes. Industry representatives were consulted throughout the negotiations and fully support the land transportation provisions of the NAFTA. Canadian land carriers can benefit from the right to take on cargo in the U.S. for onward transport to Mexico. This will increase the industry's efficiency and can enhance the competitiveness of Canadian goods.

What does the NAFTA say about air transportation?

NAFTA deals only with specialized air services, such as aerial mapping and surveying. Transborder specialty services will be opened gradually to allow greater market access in Mexico and the U.S. for Canadian companies. The NAFTA does not include passenger and cargo services. Canada is holding separate "Open Skies" negotiations with the U.S. on transborder air services. These negotiations are not part of the NAFTA.

Did the U.S. agree to open the American maritime shipping transportation sector, now protected from competition under the Jones Act?

No. Canada aggressively pursued an opening of the maritime shipping sector. The U.S. did not agree to open this sector. However, in spite of the U.S. position, Canada did strike an agreement with Mexico for international shipping which excludes the U.S. We believe that Canada has a competitive shipping industry which will benefit from increased trade among the three countries and, in particular, between Canadian and Mexican ports.

NAFTA - INVESTMENT

WHAT'S IN THE AGREEMENT

- All investors from NAFTA countries to be treated equally;
- Mexico to eliminate screening of new foreign investment in most sectors and severely curtail its review of takeovers of existing enterprises; Canada retains its investment screening regime;
- Investment restrictions reduced on dozens of sectors in Mexico including autos, mining, agriculture, fishing, financial services, transportation and most manufacturing;
- Mexico no longer to impose trade-distorting performance requirements on foreign investors;
- Investments from NAFTA countries may be expropriated only for public purposes, and fair market value must be paid promptly;
- Disputes between an investor from a NAFTA country and a NAFTA government may be settled, at the investor's option, by binding international arbitration;
- Foreign investment may be restricted for existing state enterprises or government operations that are privatized;
- Local currency may be converted into foreign currency for investment transactions and freely transferred into and out of the country.

BENEFITS TO CANADA

- Increased investment opportunities in Mexico;
- Unlike the FTA, the NAFTA provides protection for all types of investment including minority as well as majority or controlling interest in a business and investments in stocks, bonds or real estate;
- Canada maintains all existing investment restrictions in key sectors including transportation and telecommunications;
- Canadian cultural industries and social services are protected;
- Canada retains the ability to review major takeovers;
- Provincial autonomy is safeguarded by allowing provinces to preserve existing investment restrictions within their jurisdiction;
- Greater certainty and protection for investors throughout North America.

COMMONLY ASKED QUESTIONS

What does the NAFTA do for Canadian investors?

The Agreement provides increased security for Canadian investment in Mexico and places Canadian investors there on an equal footing with United States investors.

How can Canada compete for foreign investment against Mexico with its low standards and wages?

Canada has a longstanding reputation as a favourable place for foreign investment. NAFTA enhances the current investment climate by providing a larger market for exports of goods and services. Besides market access, Canada has important advantages as an investment location, including a modern infrastructure, a skilled and productive work force, access to resources and stability.

Do the investment provisions of the NAFTA threaten Canada's sovereignty?

No. Canada maintains the right to screen large foreign takeovers. All Canadian limitations on foreign investment remain unaffected for specific sectors, such as air transportation, telecommunications and financial services. Cultural industries and social services are protected. The provinces have two years to list those investment restrictions they wish to maintain.

NAFTA - ENERGY

WHAT'S IN THE AGREEMENT

- Application to Mexico of Free Trade Agreement (FTA) disciplines that prohibit discriminatory border restrictions and export taxes;
- Explicit obligations on energy regulators to avoid discrimination against NAFTA partners and to minimize disruption of contractual arrangements;
- For the petrochemical sector, elimination of Mexican investment restrictions on all but a few basic petrochemicals still under state control;
- Immediate elimination of Mexico's trade restrictions on all petrochemicals;
- Barrier-free trade in Mexican non-energy refinery products such as asphalt, greases, lubricating oils and waxes; and
- New opportunities for investment in the Mexican electricity sector.

BENEFITS FOR CANADA

- Canadian energy industries obtain the same level of access as the U.S. to the Mexican energy sector;
- Canadian gas exporters obtain a firmer basis for recourse against discriminatory measures by both federal and state energy regulators in the U.S. -- a substantial improvement over the FTA;
- Opportunities for Canadian trade and investment in previously closed Mexican markets for petrochemical and fertilizer products;
- Opportunities for Canadians to invest in non-utility generation of electricity in Mexico, which can also help to open up the Mexican market for natural gas from Canada.

COMMONLY ASKED QUESTIONS

Does Mexico match Canada's FTA commitments on energy?

The NAFTA energy chapter mirrors that of the FTA through a similar set of rights and obligations. These have been specifically tailored to govern three-way trade in the NAFTA, as opposed to two-way trade in the FTA. For instance, Mexico must now abide by FTA provisions on the use of import and export restrictions, and export taxes.

The NAFTA energy chapter, however, reflects unique factors like Mexico's constraints on private ownership in its energy sector. While Mexico wants to increase investment, its constitution stops it from attracting foreign investment to much of its energy sector. By contrast, Canada has a less restricted investment climate -- one that encourages energy development and the creation of jobs in this country.

What improvements are there in the NAFTA over the FTA?

NAFTA provides new market opportunities for Canadian energy goods and services by limiting Mexico's use of restrictive trade practices. Another significant improvement over the FTA is the imposition of explicit obligations on energy regulators. This provides Canadian gas exporters with a firmer basis for recourse against the discriminatory application of measures by both federal and state energy regulators in the U.S. Both federal and state regulators will have to treat Canadian natural gas no less favourably than U.S. gas and will have to minimize the disruption of contractual relationships.

NAFTA - GOVERNMENT PROCUREMENT

WHAT'S IN THE AGREEMENT?

- Better access for suppliers of goods, services and construction in all three countries.
- The Mexican construction services market will open in incremental stages over the next ten years.
- Improved procedures to cover tendering and challenges to bids as well as dispute resolution.
- Scope and coverage of government procurement contracts in the NAFTA exceeds that of the GATT and FTA. Market opportunities for Canadian suppliers increase from $20 billion to approximately $70 billion.

BENEFITS FOR CANADA

- For the first time, government procured services in the U.S. and Mexico will be open to Canadian suppliers. In the U.S. alone the services market is approximately $30 billion per year.
- For the first time, suppliers of Canadian building materials will have competitive access to U.S. government construction contracts.
- The United States have agreed to lift the Buy America restrictions on loans provided under the Rural Electrification Administration (about US$ 1.5 billion). This will provide Canada's high-tech telecommunications equipment suppliers access to this previously restricted market.
- Internationally competitive Canadian companies will have a fair opportunity to serve the U.S. and Mexico markets, particularly PEMEX (petroleum monopoly) and CFE (electricity monopoly), which represents almost US$ 8.2 billion of Mexican government procurement. Canada's heavy electric equipment producers and oil and gas equipment suppliers will for the first time have access to this market opportunity.

COMMONLY ASKED QUESTIONS

What is the Agreement worth to Canadian businesses?

The NAFTA chapter on government procurement represents a major step forward to removing access impediments to the markets in the three countries. Canadian suppliers have gained access to goods, services and construction contracts in the U.S. and Mexico for a total value of approximately of $70 billion.

How can Canadian firms access the procurement opportunities?

Canadian suppliers will have access to published opportunities in each of the three markets. The Agreement sets requirements for the publishing of contract opportunities and, if necessary, a bid-challenge procedure. This transparency and predictability provides a new level of openess for Canadian suppliers.

What about procurement by provinces and municipalities?

It is excluded from the NAFTA.

What about procurement by provincial utilities? (i.e., Quebec Hydro)

This is also excluded from the agreement.

Will the Canadian government have the freedom to promote regional economic development in Canada under the NAFTA?

Canada has retained a number of sectoral exceptions that allow it to continue support for regional and industrial development. In addition, Canada has not offered: shipbuilding and repair; dredging; construction for Transport Canada; and the Merit Partnership Program.

NAFTA - INTELLECTUAL PROPERTY

WHAT'S IN THE AGREEMENT

Unlike the Canada-U.S. Free Trade Agreement (FTA), the NAFTA has a comprehensive chapter on intellectual property which will provide protection for inventions, designs and creative works. The main elements are:

- Standards in the areas of copyright, sound recordings, trademarks, patents, integrated circuits, trade secrets, geographical indications, plant breeders' rights and industrial designs;
- Comprehensive rules for enforcing intellectual property rights;
- In applying for U.S. patents, research done in Canada will now be on an equal footing with research done in the U.S. when applying for patents in the U.S.; and
- Patent protection will be the same in all industrial sectors.

BENEFITS FOR CANADA

- Strong intellectual property protection is a major advantage to Canadian creators, inventors and researchers;
- The necessary climate will be created for Canada to attract investment and new technology, meaning more high-skill jobs;
- By providing innovative pharmaceutical companies with the same level of patent protection offered by most other industrialized countries, Canada becomes a more attractive location for increased research, development and manufacturing of medicines;
- Canadian creators of computer software can be confident that their work will be protected; and
- Canadian researchers inventing new plant varieties or designing integrated circuits will have protection in Mexico.

COMMONLY ASKED QUESTIONS

Why did Canada eliminate compulsory licensing for pharmaceuticals in the NAFTA?

Canada's decision to eliminate compulsory licensing was taken outside the context of the NAFTA. Increasing the protection on pharmaceuticals is good for Canada. This will create jobs, new investment in research and development, and new opportunities in a large, high-technology industry important to Canada's prosperity. The provisions of the NAFTA on pharmaceuticals are identical to the proposals in the General Agreement on Tariffs and Trade (GATT) Multilateral Trade Negotiations. These proposals reflect a multilateral consensus on the need for greater patent protection for creators, inventors and researchers. Since Canada announced its decision to implement the GATT proposal, announcements of close to $500 million in new investment in the pharmaceutical industry in Canada have been made.

NAFTA - GENERAL DISPUTE SETTLEMENT

WHAT'S IN THE AGREEMENT

Institutional Provisions

- The creation of a Trade Commission, made up of cabinet-level officers of the three countries, to oversee implementation, ensure joint management, and avoid and settle disputes between the countries over interpretation or application of the rules;
- The Commission will meet at least once a year and at the request of any of the three countries; and
- The establishment of a permanent Secretariat that will serve the Commission, dispute settlement panels and, unlike the Canada-U.S. Free Trade Agreement (FTA) all working groups and committees created under the Agreement.

Dispute Settlement Procedures

- Emphasis on amicable settlement by the parties and the Commission and strengthened to emphasize the finality of panel decisions;
- Right of third country to participate in consultations and panels to protect its interests;
- Trilaterally agreed roster of eminent experts;
- Dispute settlement panel selection procedure which promotes impartial decisions -- two panelists from the complaining party are selected by the defending party, two panelists from the defending party are selected by the complaining party, and the chair, who may be from the third NAFTA country or a neutral country, is selected by mutual agreement or, failing agreement, by lot;
- Special provisions to permit expeditious review of any retaliation alleged to be excessive; and
- Provisions for panels to consult scientific or other experts for advice on environmental, technical standards and related matters.
- (See also NAFTA - Subsidies/Antidumping and Countervail Dispute Settlement)

Transparency

- The NAFTA ensures that each country will provide publication and notification of changes to its laws and regulations that might adversely affect the NAFTA partners;
- Traders and investors will be assured of administrative and judicial review of domestic trade measures; and
- The Agreement encourages private commercial arbitration for settlement of international business disputes.

Benefits for Canada

- Possibility of unilateral action by any one country is limited;
- Ensures that Canada is an equal partner in overseeing the rules of trade in North America;
- Ability to select the chair of the dispute settlement panel from the third NAFTA country or neutral country ensures the proceedings are unbiased;
- Ensures procedural due process for Canadian business in the U.S. and Mexico.

COMMONLY ASKED QUESTIONS

How have the dispute settlement provisions been improved from the FTA?

The selection procedure for the roster and for panel members helps ensure a fair hearing in trade disputes. For the first time, Canada may obtain a binding ruling on whether retaliatory measures taken against it are excessive. Unlike the FTA, disputes regarding financial services are now covered, along with all other sectors. When disputes involve environmental issues, provision to engage the required experts ensures the necessary scientific expertise.

Will this ensure that we have fewer disputes with the United States and Mexico?

While disputes affect only a tiny share of our total trade, they are inevitable.

Dispute settlement provides an effective and timely method of resolving disputes when they do arise.

Dispute settlement provisions under the NAFTA will not prevent disputes -- just as they did not under the FTA nor do they under the General Agreement on Tariffs and Trade. They do, however, provide a process to minimize and amicably settle disputes when they do arise.

Review procedures under the NAFTA equivalent of Chapter 18, and provisions ensuring procedural due process ("transparency") and the arbitration of private commercial disputes, contribute to a more stable, predictable environment for Canadian exporters. In addition, speedier resolution of disputes results in real cost savings to Canadian companies affected by disputes.

NAFTA - SUBSIDIES/ANTIDUMPING AND COUNTERVAIL DISPUTE SETTLEMENT

WHAT'S IN THE AGREEMENT

- Binational panel review of final antidumping and countervailing duty determinations, instead of judicial review by domestic courts (no change from Chapter 19 of the Canada-U.S. Free Trade Agreement -- the FTA);
- Bilateral review and dispute settlement procedures with respect to changes in existing antidumping and countervailing duty laws (no change from the FTA); and
- A provision to safeguard the panel system and provide recourse in the event that the application of another party's domestic law prevents the establishment of a panel, prevents the panel from rendering a final decision, prevents the implementation of a panel's decision, or results in a failure to provide opportunity for judicial or panel review. (Note: all of these obligations are enshrined in Canadian law implementing the FTA.)

BENEFITS FOR CANADA

- The binational dispute settlement system has been strengthened and any ambiguity over its permanency has been removed;
- There is no change in the binational panel procedure as Canadian exporters have known it in some 20 cases over nearly four years;
- Canadian exporters will have access to binational panel review of Mexican antidumping and countervailing duty determinations, instead of judicial review by Mexican courts;
- The agreement provides that any amendments to U.S. and Mexican antidumping and countervailing duty law will not normally apply to imports from Canada; and
- The safeguard provision will help to ensure that Mexico and the United States do not frustrate the binational dispute settlement process.

COMMONLY ASKED QUESTIONS

Have there been changes to the dispute settlement provisions?

The provisions of the FTA have been strengthened through the addition of safeguard measures to protect the dispute settlement process and ensure that Canadian exporters receive due process in the application of trade remedy laws in Mexico and the United States. In addition, any ambiguity about their permanency has been removed.

There is no change in the functioning of FTA binational dispute panels as Canadian exporters have known them in some 20 cases over nearly four years.

A new provision is added to safeguard the panel system guaranteeing that dispute settlement panels are established and their decisions are implemented. If the application of the laws of one country deny the benefits of the dispute panel review system to another country, that other country will now have recourse against the offending country. This will ensure that the application of Mexican or American law does not frustrate the binational dispute settlement panel process. Canadian law requires that the benefits of the dispute settlement system be provided.

Does the NAFTA impose new disciplines on the use of subsidy-countervail and anti-dumping measures?

No, these issues are being dealt with in the Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade (GATT).

The draft Uruguay Round text, proposed by GATT Director General Arthur Dunkel, meets Canadian objectives for substantive disciplines in this area. A successful conclusion to the Uruguay Round is a top Canadian Government priority.

NAFTA - ENVIRONMENT

WHAT'S IN THE AGREEMENT

The NAFTA represents an important step forward in dealing with trade and the environment. It contains more environmental provisions than any previous trade agreement. Canada was an active proponent of a number of the environmental provisions. The willingness of Mexico and the United States to accept them demonstrates both countries' commitment to working to improve our common continental environment. The environmental provisions include:

- A strong commitment to sustainable development, and environmental protection and enforcement;
- The right of Canada to determine the level of protection required to protect its environment and its human, animal or plant life or health;
- The establishment of a work program to enhance levels of protection in these areas throughout North America;
- The right to maintain environmental standards that are higher than those recommended by international organizations;
- Recognition that NAFTA countries should not lower health, safety or environmental standards ("create pollution havens") to attract investment; and
- Provision for special scientific review boards to advise dispute settlement panels if environmental issues are raised.

BENEFITS FOR CANADA

- Canada's high environmental standards are maintained and can be strengthened;
- The NAFTA incorporates many recommendations put forward by the provinces, advisory panels and environmental interest groups;
- The NAFTA explicitly protects the rights of Canada's federal, provincial, territorial and local governments to determine appropriate levels of environmental protection for their own regions;
- Canada's bilateral agreement with Mexico intensifies environmental co-operation; and
- The NAFTA provides greater opportunities for Canadian exporters of pollution-abatement equipment and waste-management services.

COMMONLY ASKED QUESTIONS

Will Mexico be able to attract more industry than Canada or the U.S. because of its environmental practices?

The NAFTA countries recognize in the Agreement that they should not lower environmental standards to attract investment ("create pollution havens"). The closer relationship fostered by the NAFTA will also bring closer examination of environmental practices by citizens of all three countries.

Mexico has some of the toughest environmental legislation of any developing country (comparable to U.S. and Canadian legislation). It is now taking further steps to enforce those laws.

The reality is that enforcing environmental laws takes money. Greater prosperity will enable the Mexican government to continue to clean up the environment -- and that means no longer tolerating companies that pollute.

Is Canada doing anything in the NAFTA to encourage Mexico to improve its environmental record?

Canada believes a practical way to encourage and support Mexico in improving its environment is through an ongoing program of concrete and practical co-operation. In March 1992, Canada announced a $1-million package to assist environmental enforcement and monitoring in Mexico.

Will the harmonization of standards mean that environmental regulations will be weakened under the NAFTA?

The NAFTA does not require the three countries to harmonize their environmental standards. A guiding principle of the NAFTA is the right of each country to maintain its standards, even those that are more stringent than those recommended by international organizations. The work program on standards to be undertaken in NAFTA will intensify scrutiny of existing practices and encourage continuous improvements.

Is there anything Canada can do if Mexico does not enforce its standards?

A NAFTA country must consult with its partners if it lowers health, safety or environmental standards to attract investment. The closer relationship fostered by the NAFTA will also bring closer examination of environmental practices by citizens of all three countries.

Is there an environmental assessment of NAFTA?

Yes. The environmental review will be considered by Cabinet at the same time as the legal text of the NAFTA. The review committee took into account the views submitted by environmentalists.

NAFTA - LABOUR, WAGES AND ADJUSTMENT

At Canada's insistence, the Preamble to the NAFTA text states the commitment by all three governments to protect, enhance and enforce workers' rights.

WAGE COMPETITION

- Wages are just one factor affecting competitiveness. Total labour costs represent only 17% of the average cost of production and only 9% in the critical automotive assembly sector. Other key factors in competitiveness include a trained labour force, good transportation and communication links, affordable capital, good energy sources, productivity, and product reliability and quality. These are all areas where Canada demonstrates strength.
- Wages are not as critical to competitiveness as some believe. The world's largest traders (Japan, Germany, the United States and Canada) are <u>all high wage countries</u>.
- Canada's market is and has been largely open to Mexican imports. About 80% of Mexican products already enter this country duty-free.
- Despite this access into Canada, Mexico's current lower wages have not posed a major threat to Canadian production. On the other hand, Mexican import restrictions significantly limit access to Mexico for Canadian exports of goods and services. The NAFTA will correct this imbalance.

ASSISTING WORKERS AND INDUSTRIES

- Canada's adjustment programs for workers and industry are among the best in the world, better than most of our major trading partners.
- As a percentage of the economy, Canadian governments spend more than three times as much on labour market programs as the United States.
- Given that Canada's market is already open to most Mexican goods, the NAFTA should not pose major adjustment problems. In a number of areas, Canada has negotiated tariff phase-out periods that will allow sufficient time for each sector to adjust, as well as safeguard mechanisms to address any negative import surges.
- Co-operation between the federal and provincial governments and labor and management will be required to ensure that labour adjustment programs respond to changes in the global economy. The government's broad response to the new competitive challenge this poses for Canadian firms and their employees will come forward as part of the Prosperity Initiative this fall.

CANADA AND MEXICO TO CO-OPERATE ON LABOUR STANDARDS

- Canada and Mexico signed a labour co-operation agreement in May 1992. Projects aimed at sharing experience and expertise will involve dialogue between Canadian and Mexican workers, unions, labour administrators and industry representatives.

COMMONLY ASKED QUESTIONS

Why isn't the labour issue directly addressed in the NAFTA?

At Canada's insistence, the labour issue is addressed in the Preamble. Since the outset of NAFTA negotiations in June 1991, all three parties agreed that discussions on labour would proceed at the same time as the NAFTA talks. Within this parallel process, both Canada and the U.S. are working with Mexico through separate agreements on labour issues.

Why didn't the NAFTA countries negotiate a social charter as in the European Community?

The NAFTA is a trade agreement. The European Community is a more comprehensive association that is moving toward greater political and social union. That is not the objective of Canada in either the Canada-U.S. Free Trade Agreement (FTA) or NAFTA. Therefore, Canada, the United States and Mexico decided that it would be more practical to undertake a program of extensive labour co-operation outside the NAFTA that could continue after the Agreement is ratified.

If there's no social charter, how can we be sure that Mexico will enforce existing labour standards?

Legislation on worker and workplace standards in Mexico are already as comprehensive as that of many industrialized countries and in some cases surpasses them. Mexico's record of enforcement has been criticized. However, with the implementation of NAFTA, pressures to improve enforcement will increase. The increased economic activity and resources that will flow from the NAFTA will allow Mexico to deploy more resources to monitoring and enforcement activities. We will also continue to work closely with Mexico through our bilateral agreement on labour signed in May 1992.

How come the U.S. is planning to introduce adjustment programs for workers affected by the NAFTA and Canada is not?

Our market is already largely open to Mexican goods. Many of the remaining Canadian tariffs will be phased out over a period of up to 10 years. The NAFTA should have a minimal effect on the Canadian economy. Canada's adjustment programs for both workers and firms are the most generous and comprehensive in the world. Trade agreements are only one factor among many leading to restructuring of the global economy. The government's broad response to the competitive new challenge this poses for Canadian firms and their employees will come forward as part of the Prosperity Inititative this fall.

CANADA-MEXICO ENVIRONMENT AND LABOUR AGREEMENTS

A) ENVIRONMENT

The NAFTA contains a strong commitment to sustainable development and environmental protection and enforcement. For example, the NAFTA recognizes the right of each NAFTA country to maintain environmental standards higher than those recommended by international organizations. The Agreement also recognizes that the NAFTA countries should not lower health, safety or environmental standards to protect investment.

Recognizing the importance of continental co-operation on the environment, Environment Minister Jean Charest, his American counterpart, Administrator William Reilly, and his Mexican counterpart, Secretary Luis Donaldo Colosio, will meet in Washington on September 17 to discuss the establishment of a common strategic approach to North American environment issues.

Canada-Mexico Environmental Co-operation

On March 16, 1990, Canada and Mexico signed an Agreement on Environmental Co-operation. The Agreement is very broad, permitting co-operation on environmental issues of importance to both countries.

On March 18, 1992, the government announced a $1-million program, under the Canada-Mexico Agreement, to help Mexico improve its environmental monitoring and enforcement practices.

The chosen projects are tailored to meet Mexico's needs and will assist Mexico's Secretariat of Social Development to enforce the tough environmental laws which that country passed in 1988.

Approximately 20 projects involving Canada's and Mexico's private and public sectors are being implemented in six different areas:

Compliance Monitoring

- Acquisition of a mobile laboratory,
- Training seminars in Mexico and Canada, and
- Software acquisition.

Management of Hazardous Substances and Waste

- Creation of technical standards and regulations and
- Comparative analyses.

Air Pollution Control

- Creation of technical standards and
- Study of emissions inventories.

Environmental Impact Assessment

- Environmental impact assessment manuals for specific sectors.

In addition, projects on the Monarch butterfly and environmental education are being developed within this $1-million program.

B) LABOUR

On May 4, 1992, Canada and Mexico signed a Memorandum of Understanding (MOU) on Co-operative Labour Activities. The activities of this MOU focus attention on issues important to workers in both countries. At the same time, they encourage greater contact between Canadian and Mexican workers, unions, labour administrators and industry representatives.

Labour Market Statistics

- An exchange of information and publications;
- Technical seminars to examine systems used to collect, measure and disseminate labour statistics; and
- Joint projects on specific issues of interest in labour statistics to be developed after the technical seminars.

Occupational Health and Safety

- An exchange of information and publications on standards, inspection and prevention programs;
- Technical conferences on health and safety in selected "high-hazard" areas. The first conference will focus on the construction, chemical and mining industries;
- Joint seminars on hazardous materials in the workplace; and
- Working visits by technical experts from Mexico to Canada.

Job Training

- An exchange of information on job training and placement services;
- A seminar showcasing successful examples of on-the-job training programs, school-industry linkages and initiatives undertaken by training institutes and labour-management organizations; and
- Study visits to government employment centres and private-sector placement services.

Labour Relations, Workplace Innovation, Quality and Productivity

- Information exchanges on innovative programs and learning materials related to quality and productivity; and
- A seminar on productivity and quality and their relationship to new forms of labor-management co-operation.

NAFTA - PROTECTION OF CANADIAN SOVEREIGNTY

Canada's ability to exercise its national sovereignty is undiminished by the NAFTA.

CULTURE

- Cultural industries are exempt from NAFTA. The Agreement reached in the Canada-U.S. Free Trade Agreement (FTA) remains in force.

HEALTH CARE

- Government health care and social services are specifically protected in the NAFTA.

WATER

- Like the FTA, the NAFTA does not apply to large-scale water exports.

INVESTMENT

- Canada retains its investment screening system to review takeovers by foreigners.

STANDARDS

- Canada retains the right to preserve and strengthen its own high standards for health and safety.

ENVIRONMENT

- Canada retains the right to maintain and strengthen our high environmental standards.

TELECOMMUNICATIONS

- The NAFTA preserves Canadian control of basic telecommunications services.

COMMONLY ASKED QUESTIONS

CULTURE

Are you sure Canada's cultural industries are fully protected?

Yes. The FTA cultural exemption is reaffirmed in the NAFTA.

HEALTH

Will our trading partners regard medicare as an unfair subsidy and try to take action against Canada?

All Canadians are eligible for health-care insurance. Our system is universal, and such benefits are not considered subsidies subject to trade actions under the NAFTA or any other international trade agreement.

ENERGY

Does Mexico match Canada's FTA commitments on energy?

The NAFTA energy chapter mirrors that of the FTA through a similar set of rights and obligations. These have been specifically tailored to govern three-way trade in the NAFTA, as opposed to two-way trade in the FTA. For instance, Mexico must now abide by FTA provisions on the use of import and export restrictions, and export taxes.

The NAFTA energy chapter, however reflects unique factors like Mexico's constitutional constraints on foreign ownership in its energy sector. While Mexico wants to increase investments, its constitution stops it from attracting foreign investment to much of its energy sector. By contrast, Canada has a less restricted investment climate -- one that encourages energy development and the creation of jobs in this country.

WATER

Will the government introduce legislation to ensure water cannot be exported, as it did with the FTA?

Yes. The NAFTA implementing legislation will contain a specific provision confirming Canadian sovereignty over water resources.

NAFTA - CULTURAL INDUSTRIES

WHAT'S IN THE AGREEMENT

- A guarantee of Canada's right to implement special measures for cultural industries;
- Preservation of exemptions negotiated in the Canada-U.S. Free Trade Agreement (FTA) in such areas as publishing, film and video, music and sound recording, broadcasting and cable industries;
- Preservation of the right to maintain existing cultural support measures, as well as the right to introduce new ones;
- U.S. and Mexico have chosen to undertake obligations to each other in their cultural industries.

BENEFITS FOR CANADA

- The NAFTA provides an exemption that allows for continued government support of cultural industries through special measures.

COMMONLY ASKED QUESTIONS

Are you sure Canada's cultural industries are fully protected?

Yes. The FTA cultural industries exemption is reaffirmed in the NAFTA.

NAFTA - WATER

CANADA'S WATER RESOURCES -- A SUMMARY

- Like the Canada-U.S. Free Trade Agreement (FTA), the NAFTA does not apply to large-scale exports of water.
- As in the FTA, only water packaged as a beverage or in tanks is covered in the NAFTA.
- Water was not discussed during the NAFTA negotiations with the United States and Mexico.
- Large-scale exports of water, either by inter-basin transfer or diversion, are contrary to the 1987 federal water policy.

THE NAFTA WILL NOT AFFECT WATER EXPORTS

- Canada's legislation to implement the FTA already states clearly that the FTA does not apply to water, except in the case of water packaged as a beverage or in tanks. Similar provisions will be included in the NAFTA implementing legislation.
- There neither has been, nor will be, any negotiation or provision for large-scale exports of water to another country.

COMMONLY ASKED QUESTIONS

Will Canada be forced into allowing water exports under the NAFTA?

No. The large-scale export of water was not part of the NAFTA negotiations. The Government of Canada has developed a firm policy on water transfers or diversions. The policy expressly prohibits such projects.

Will the government introduce legislation to ensure water cannot be exported, as it did with the FTA?

Yes. The NAFTA implementing legislation will contain a specific provision confirming Canadian sovereignty over water resources.

NAFTA - HEALTH CARE

- Government health care and social services are protected.
- Canada's health-care system is one of the most effective in the world. Many people in the U.S. are taking a closer look at Canada's system as the model for national health care.
- Licensing bodies in all three countries are encouraged to develop mutually acceptable professional standards but Canada is in no way required to weaken its standards.
- There is no obligation for provincial governments to open contracts for health-care management services to foreign bidders. Provincial procurement was not covered by the FTA, nor is it included in the NAFTA.
- There is no obligation to admit physicians to practise medicine in Canada.

<u>AS A RESULT</u>:

- Canada's high health-care standards are maintained and can be strengthened;
- The NAFTA improves upon the FTA by allowing professionals, including some health professionals but not medical practitioners, to work in NAFTA countries as long as licensing requirements are met; and
- Under the FTA, Canada and the U.S. retained the right to establish their own standards for the protection of public health and safety as long as those standards were not intended as barriers to trade. Those rights are maintained in the NAFTA.

COMMONLY ASKED QUESTIONS

Will the NAFTA restrict Canada's ability to manage its health-care system?

No. The NAFTA does not limit the ability of Canadian governments to develop or maintain health or social programs. The NAFTA specifically protects law enforcement, correctional services and the following social services: income security or insurance, social security or insurance, social welfare, public education, public training, health and child care.

Will the NAFTA regulate or in any way affect health care and other locally based services?

No. Health care is a provincial responsibility. Provinces can decide if they wish to have foreign companies provide additional services to basic health care. Under the Canada Health Act, basic health care must be provided on a non-profit basis. If a province wishes to privatize any service related to health care, it may establish regulations requiring that the service be provided only by Canadian-owned firms.

Will our trading partners regard medicare as an unfair subsidy and try to take action against Canada?

All Canadians are covered by health-care insurance. Our system provides for universal access. Such systems are not subject to retaliatory duties under existing trade laws.

NAFTA - HUMAN RIGHTS

HUMAN RIGHTS IN MEXICO -- A SUMMARY

- Reports of human rights violations in Mexico have caused many Canadians to question the wisdom of negotiating a free-trade agreement with that country.
- Canada recognizes that human rights abuses do occur. We consider this to be deplorable and unacceptable. It is a subject we raise regularly -- and will continue to raise -- with Mexican ministers.
- Canada also recognizes, however, that the Salinas administration is taking further steps to improve the situation. A key initiative has been the establishment of a Human Rights Commission, which issues reports independent of the government.
- The reforms made in the area of human rights and freedom of the press in recent years have been impressive, although the results of these reforms will not become evident overnight.
- With more than 100 citizen-based human rights groups in Mexico, Mexicans are keenly aware of their rights and the recourse they have against abuses.
- Most of Mexico's human rights violations result from three systemic problems: 1) a poorly paid and poorly trained police force, 2) conflicts over land tenure, and 3) the war on drugs.
- While problems remain, Amnesty International has acknowledged in its annual report that abuses of human rights are becoming less common.

HOW THE NAFTA WILL PROMOTE HUMAN RIGHTS

- The ripple effect of such a wide-ranging agreement as the NAFTA will reach into every sector of the Mexican economy.
- The strengthened, more prosperous economy that will result from the NAFTA will increase the Mexican standard of living, promote a higher level of education, and encourage individuals to take an active role in creating a more pluralistic society.
- Greater exchanges of information and experiences will occur between Mexico and Canada as a result of NAFTA. This should contribute to greater awareness among both Canadians and Mexicans of the challenges and efforts being made to deal with human rights problems.

COMMONLY ASKED QUESTIONS

Is Canada pressing Mexico to clean up its human rights record?

Canada has made it clear to Mexican officials at the highest levels that we find the human rights abuses in Mexico deplorable and unacceptable.

Canada also recognizes, however, that the Salinas administration is taking steps to improve the situation. High-ranking police and government officials have recently been charged with human-rights offenses. Canada is satisfied that the record is improving.

How do we know Mexico is sincerely trying to address its human rights problem?

Mexican President Carlos Salinas recognizes the need to improve human rights in his country and has set up a Human Rights Commission that has issued independent reports. The Attorney General of Mexico has promised to investigate all of Amnesty International's allegations of torture. With more than 100 citizen-based human rights organizations in Mexico, citizens are keenly aware of their rights and the recourse they have against abuse.

NAFTA - THE LEGISLATIVE AND CONSULTATIVE PROCESS

THE LEGISLATIVE PROCESS

- Following the so-called "ministerial handshake," lawyers from the three countries will require further time to complete the legal text of the proposed agreement.
- Once a final legal text is completed, it will be initialled by all three countries, indicating that the text is acceptable to Canada, the United States and Mexico. It will then be made public and each of the governments will follow their legislative approval process. In the meantime, a trilaterally agreed summary will be available.

CANADA

- The proposed Agreement, along with the environmental review of the NAFTA prepared by an inter-departmental team in co-operation with environmentalists and the business community, will be presented to Cabinet.
- Following Cabinet approval, the proposed Agreement will be introduced into the House of Commons and will follow the normal parliamentary process, including consideration by the House and Senate and committee hearings.
- The Agreement, once approved by Parliament, would be implemented on January 1, 1994.

UNITED STATES

- Once the President notifies Congress of his intent to sign the Agreement, the U.S. Congress has 90 calendar days to review the text and provide comments.
- After the 90-day period, the President can sign the Agreement and submit the required implementing legislation to Congress.
- Congress has up to 90 working days to consider the legislation. Under U.S. "fast track" trade negotiating authority, Congress must either approve or defeat the package in its entirety.

MEXICO

- The NAFTA, as an international agreement, requires ratification by a two-thirds majority of the Mexican Senate. The governing party currently holds 61 of 64 Senate seats.
- As in Canada and the U.S., implementing legislation, if required, would have to be passed by the Mexican House of Deputies and the Senate.

THE CONSULTATIVE PROCESS

The government's system of consultations has successfully struck a fair balance between the requirements of an international negotiating process and the need for interested groups to receive information and provide advice.

- The government has held detailed consultations on NAFTA with its International Advisory Committee (ITAC) and the 15 Sectoral Advisory Groups on International Trade (SAGITs) on a continuous basis since the negotiations began. In addition, ongoing and frequent consultations were held with industry associations and several hundred individual firms.
- The Minister for International Trade and senior federal officials, including the NAFTA chief negotiator, have consulted with the ITAC 12 times since May 1991, a month before the negotiations were launched. Also since that time, 77 different consultations have been held with the SAGITs.
- In the same period, the federal trade minister has met with his provincial counterparts six times to review NAFTA issues in detail.
- Senior federal and provincial trade officials have met 16 times since May 1991, in addition to holding nine telephone conference calls. The frequency of these consultations increased as agreement drew closer.
- A number of conference calls have also been held with officials from individual provinces to discuss progress in the talks in sectors of particular interest to them.
- Negotiators have travelled to provincial capitals for joint industry-provincial consultations on the NAFTA.
- The trade minister has appeared twice to discuss NAFTA before the International Trade Sub-Committee of the Standing Committee on External Affairs and International Trade (SCEAIT) of the House of Commons.
- All party caucuses were offered detailed briefings on the status of the talks. The New Democratic Party refused. The caucuses of the other parties have been briefed regularly since March, without confidentiality requirements.
- Negotiators have talked to environmental organizations, both directly and through the ITAC/SAGIT network. Their advice was instrumental in shaping the environmental provisions of the Agreement.

CONTENTS

Focus on Industry Sectors

CANADA'S KEY OBJECTIVES MET

Barrier-Free Access to Mexico

- Phase-out of tariffs for virtually all Canadian exports to Mexico over 10 years;
- Elimination of Mexican import licensing requirements for goods;
- Opportunities to bid for major Mexican government procurement contracts;
- Canadian financial services companies will be able to open subsidiaries, invest in, and acquire financial institutions in Mexico (banking, securities and insurance);
- Major liberalization of the restrictive Mexican investment regime;
- Liberalization of the Mexican services market, including land transport, specialty air services, professional services, and enhanced telecommunications (e.g., advanced data-processing services). Agreement between Canada and Mexico to maintain their relatively open international maritime shipping services.

FTA Benefits Plus Improvements

- The Auto Pact remains;
- Protection of Canada's cultural industries;
- Social services and health services are protected;
- High health, safety and environmental standards are preserved and can be strengthened;
- Canada's supply management import quotas for egg, dairy and poultry products are not affected;
- Unlike in the Free Trade Agreement (FTA), transportation services (including land and specialty air services) and intellectual property rights are included;
- Clearer North American content rules, including for autos, reducing the risk of unilateral interpretations by customs officials;
- The impact of the new rules of origin for textiles and apparel is offset by increases in the quotas giving preferential access to the U.S. market for Canadian goods that do not meet the rules of origin;
- Extension for two years of duty drawback beyond the FTA expiry 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 into other NAFTA countries;
- Clearer disciplines on energy regulators to avoid discriminatory actions against contractual arrangements, benefiting Canadian gas exporters;
- More stringent discipline on the United States for imposing border restrictions against imports from Canada; and
- Improved dispute settlement procedures.

Canada -- An Attractive Place to Invest

- Canada will be on an equal footing in competing for investment in North America because the NAFTA ensures secure access for our exporters to both the United States and Mexico.

NAFTA AND THE AEROSPACE AND DEFENCE ELECTRONICS INDUSTRIES

THE CANADIAN INDUSTRY

- The total employment in the industry is 90,000.
- In 1991, Canada's exports of aerospace and defence electronics to all countries were valued at $3.9 billion.
- Canada's major exports include aircraft, aircraft engines and aircraft parts, helicopters, flight simulators, and radio navigational apparatus.

WHAT'S IN THE AGREEMENT

- Elimination of all Mexican and Canadian duties within 10 years for all aerospace and defence electronics products.
- Opportunities for an integrated North American market for aerospace and defence electronic products.
- Immediate elimination of Mexico's tariffs on aircraft, aircraft parts, parts, helicopters, radar and navigational equipment -- export interests to Canadian manufacturers in this sector.
- Enhanced access for Canadian suppliers to U.S. procurement contracts. Procurement at the provincial and municipal levels is not included in the NAFTA.
- Commercial air transport of passengers and cargo is excluded.

BENEFITS FOR CANADA

- A competitive advantage for Canadian exports over European suppliers.
- Opportunities will increase for Canada to trade with Mexico in aircraft, aircraft engines and aircraft parts.
- Canada retains preferential access to the United States for defence-related equipment under the Canada-United States Defence Production Sharing Agreement.

THE MEXICAN MARKET

- Mexico imports products worth nearly $1 billion within this sector from all countries.
- Mexico imports products such as airplanes, aircraft engines, flight simulators, radio remote-control apparatus and helicopters.

CANADIAN EXPORT INTERESTS IN MEXICO

- Large aircraft engines
- Business jets and commuter aircraft
- Water bombers
- Helicopters
- Air-traffic control and flight simulators
- Radio navigational and air-traffic control equipment
- Space communications equipment
- Space-based remote-sensing equipment
- Commercial avionics

COMMONLY ASKED QUESTIONS

What assurances are there in the NAFTA that innovative Canadian technologies and product ideas developed by our aerospace and defence electronic industries are not copied and manufactured in the U.S. or Mexico?

Unlike the FTA, the NAFTA includes intellectual property provisions to protect the rights of inventors, designers and creators. Specific standards are in place for areas such as copyright, trademarks, patents, semiconductor integrated circuits, trade secrets and industrial designs.

NAFTA AND THE AUTO INDUSTRY

THE CANADIAN INDUSTRY

- The industry directly employs more than 185,000 Canadians. Mainly located in Ontario and Quebec, this is Canada's largest export sector.
- In 1991, Canada's total exports of automotive products to all countries were valued at over $35 billion. Major exports include automobiles, light and heavy-duty trucks, buses and specialty vehicles, parts and accessories, and rubber tires.
- More than 85% of Canadian exports are destined for the United States.

WHAT'S IN THE AGREEMENT

- Removal of Mexican and Canadian tariffs on most auto parts within 5 years and on all auto products within 10 years.
- The Canada-U.S. Auto Pact remains intact.
- Clearer rules of origin and a more precise and predictable method for calculating the North American content of autos and parts.
- Cohesive, new rules of origin for autos and auto parts, with a requirement of 62.5% North American content in two stages over eight years for light vehicles (including cars and light trucks), and their engines and transmissions, and 60% for other auto goods, to qualify for duty-free access to the U.S. and Mexican markets.
- New plants will have five years reach new content level; those undergoing major refits will have two years.
- Elimination, after 10 years, of Mexico's protectionist Auto Decree, which has distorted investment and restricted imports.
- Immediate, significant improvements in access for Canada into Mexico for autos produced by assemblers that already have operations in Mexico (i.e., the Big Three).
- Immediate access for Canada into Mexico for medium and heavy-duty trucks and buses.
- A Trilateral Automotive Standards Council will be established to deal with issues related to standards.
- Extension of duty drawback for two years beyond the FTA expiry 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 into other NAFTA countries.

BENEFITS FOR CANADA

- Canada-U.S. Auto Pact is preserved; auto rules of origin provisions of the Canada-U.S. Free Trade Agreement (FTA) are clarified.
- Canada's number one export industry has new opportunities and a key sector of the Canadian economy is strengthened.
- Canada has improved access to the Mexican markets -- the fastest-growing auto market in North America -- and barriers to Canadian exports are reduced immediately and removed at the end of 10 years.

BENEFITS FOR CANADA (continued)

- The imbalance between Canada's open auto market and Mexico's highly restricted market has been addressed.
- Autos produced in Canada will have the same duty-free access to the Mexican market as autos produced in the U.S.
- New rules of origin reduce the likelihood of customs actions such as the ones against Honda.
- Creates certainty for the auto industry. Canada therefore remains a good place for foreign investors, including Asian auto manufacturers.
- Pressure on parts producers to relocate to Mexico to satisfy local content requirements has been relieved and will be eliminated in 10 years.
- Canada retains its high safety and emission standards for automotive products.

THE MEXICAN MARKET

- Mexico presently imports more than $5 billion in automotive products from Canada and the United States.
- It is estimated that the market for imported automotive parts will grow at over 7% per year over the next 10 years, resulting in significant opportunities for Canadian companies.

CANADIAN EXPORT INTERESTS IN MEXICO

- Cars and trucks
- Auto parts
- Specialty vehicles
- Buses

COMMONLY ASKED QUESTIONS

Will the new 62.5% rules of origin discourage investment by Asian car makers?

The new 62.5% rule was agreed to after extensive consultation with all segments of the Canadian industry, including Asian car makers. The new content level, combined with the new rules of origin and eventual unrestricted access to the fast-growing Mexican market, will create additional opportunities for all segments of the Canadian auto sector.

NAFTA AND BUSINESS AND PROFESSIONAL SERVICES

THE CANADIAN INDUSTRY

- Total Canadian exports of services to all countries of $23.4 billion.
- Business and professional services account for 20% of all Canadian service exports.
- Canadian service sector strengths include technical and consulting services related to mining, forestry and agriculture, hydro-electric power generation and distribution; exploration services; engineering and environmental services; resource-based scientific services; telecommunications; computer communications and software; training and education; and biotechnology services.
- The Canadian consulting engineering industry ranks among the most developed in the world, earning over $590 million on foreign projects.
- The surveying and mapping geomatics industry has export revenues of $92 million.

WHAT'S IN THE AGREEMENT

- Obligation to develop mutually acceptable professional standards and criteria, requiring that licensing criteria be objective and transparent. Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Removal within two years of citizenship requirements for the licensing and certification of professional services.
- Commitment to develop procedures for the temporary licensing of foreign engineers.
- Improved temporary entry provisions for business visitors, traders and investors, intra-corporate transferees and more than 60 professions. Duty-free access for equipment and samples accompanying business visitors.
- A comprehensive chapter on intellectual property rights to protect inventors and creators (e.g., of computer software).

BENEFITS FOR CANADA

- Enhanced access to government procurement opportunities in the U.S. and Mexican markets for a range of service providers, including computer software firms, architects and engineers.
- Mexico's developing economy will require an increasingly broad range of service sector assistance, bringing new opportunities for Canada's consulting service providers.

THE MEXICAN MARKET

- Although Mexico is considered a developing economy, services represent about the same share of its economy as they do in Canada and in the U.S.
- Many elements of the Mexican infrastructure are poorly developed, including telecommunications, utilities, power and sewerage, and land and maritime transportation services. Upgrading will require international service sector expertise.

CANADIAN EXPORT INTERESTS IN MEXICO

- Architecture, design, geomatics, engineering and environmental services
- Financial, transportation and communications services and training, and tourism services
- Management consulting, accounting and franchise services

COMMONLY ASKED QUESTIONS

Under the NAFTA, will Mexican and U.S. professionals, such as engineers or lawyers, be free to work in Canada?

No. The NAFTA encourages the professional licensing authorities of the three countries to develop mutually agreeable criteria and standards for the licensing of professionals. Foreign professionals can only work in Canada if they meet the requirements of the licensing authority and are on the list of professionals granted temporary entry.

Have there been any changes to the temporary entry provisions of the FTA which service sellers have been using to cross into the U.S.?

The temporary entry provisions of the FTA have been improved under the NAFTA. Business persons can now bring their equipment with them duty free, regardless of the origin of that equipment. The Agreement now uses plainer language to make the provisions more transparent and understandable. Coverage has been extended to over 60 professions, including oceanographers, geographers and statisticians, and professionals conducting seminars or training.

What about temporary entry for spouses?

The NAFTA provides for a Working Group to consider providing temporary entry rights for spouses of business persons entering each of the NAFTA countries.

NAFTA AND THE CHEMICAL, PHARMACEUTICAL AND PLASTICS INDUSTRIES

THE CANADIAN INDUSTRY

- The sector directly employs more than 117,000 Canadians.
- Major producers in this sector are located in Quebec, Ontario and Western Canada.
- In 1991, Canada's exports of chemicals, pharmaceuticals and plastics to all countries were valued at $9.7 billion.
- Major exports include polyethylene, sulphur and styrene.
- Canadian exports to Mexico are mainly sulphur, potassium chloride and synthetic rubber.

WHAT'S IN THE AGREEMENT

- Elimination of all Mexican and Canadian duties within 10 years for all chemical, pharmaceutical and plastic products.
- Immediate duty-free access to Mexico for sulphur and fertilizers, two of the largest Canadian exports to Mexico.
- Liberalization of Mexican market restrictions on all but a few basic petrochemical products.
- Immediate Canadian tariff elimination for many organic chemicals and chemical products not made in Canada.
- Most Mexican trade in this sector already enters Canada duty free.
- 10-year phase-out of most pharmaceuticals and other products, such as sanitary ware and plastic articles.
- Coverage of intellectual property rights, including the extension of patent protection on pharmaceuticals, in line with proposed domestic legislation and consistent with the proposals under the General Agreement on Tariffs and Trade (GATT).

BENEFITS FOR CANADA

- Overall, the Mexican market for imported chemicals, pharmaceuticals and plastics is expected to grow by as much as 30% per year over the next five years.
- Canadian pharmaceutical operations are gaining North American export manufacturing mandates that will include access to the Mexican market.

THE MEXICAN MARKET

Mexico has in the past limited foreign participation in this sector. In today's fierce global market PEMEX, the state monopoly controlling all aspects of the petrochemical industry, is becoming more open to foreign suppliers and services. Canada, with its leading technology and co-operative business style, is well positioned to take advantage of the opportunities presented.

- Mexican demand for many petrochemical and pharmaceutical products exceeds domestic capacity. Imports are valued at $5 billion.
- Mexico's imports include polyethylene, polypropylene, heterocyclic compounds, aluminum oxide and photographic paper.

CANADIAN EXPORT INTERESTS IN MEXICO

- Sulphur
- Adipic acid and urea
- Synthetic rubbers
- Mineral chemical and fertilizers
- Chromium compound pigments
- Potassium chloride
- Ammonium sulphate
- Ethylene glycol
- Polyethylene

COMMONLY ASKED QUESTIONS

Will Canadian companies be excluded from the Mexican market because of the PEMEX (state-owned oil company) monopoly on the petroleum industry?

Mexico is presently constrained from attracting foreign investment to much of its petrochemicals sector. However, Mexico has recently made several adjustments to its petrochemicals policy. While a few basic petrochemical products remain under state control, all other items become open to foreign participation.

NAFTA AND THE ELECTRICAL MANUFACTURING EQUIPMENT INDUSTRY

THE CANADIAN INDUSTRY

- In 1991, Canada's exports of electrical manufacturing equipment to all countries were valued at over $4 billion.
- Canada's major exports include turbines, generators, boilers, insulated wire and cable products, electric transformers/static converters and inductors.
- Canadian electrical lighting manufacturers are successful in specialty lighting fixtures, due to their innovations, product design and styling.
- Industry is concentrated in Ontario and Quebec and to a lesser extent in the Prairie provinces (mainly Alberta) and British Columbia.

WHAT'S IN THE AGREEMENT

- Elimination of all Mexican and Canadian duties within 10 years for all electrical manufacturing equipment.
- Early elimination of Mexican tariffs for lighting equipment, electrical relays, co-axial cable, gas and steam turbines -- all Canadian export interests.
- 10-year phase-out of Canadian tariffs for ballasts, batteries and handheld drills.
- Clearer and more precise rules of origin, narrowing the scope for disputes.
- Better access to government procurement contracts in Mexico for suppliers of heavy electrical and power generation equipment. Procurement at the provincial and municipal levels is not included in the NAFTA.
- Better access to construction contracts funded under the U.S. Rural Electrification Act.
- Extension for two years of duty drawback beyond the FTA expiry 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 into other NAFTA countries.

BENEFITS FOR CANADA

- In the area of capital-intensive products such as industrial motor controls, distribution transformers and low- and medium-voltage switchgear, the NAFTA is expected to enlarge Canada's access to the Mexican market.
- Modernization and expansion of Mexican electric infrastructure will provide new export opportunities for Canadian firms.

THE MEXICAN MARKET

- In March 1988, Mexico enacted the Federal Law on Ecological Equilibrium and Environmental Contamination, which provides strict rules for protecting the environment. The government is demonstrating a strong commitment to enforcement of these laws.
- New focus on enforcement of environmental regulations and increased public pressure has created a growing demand for different sources of anti-pollution equipment and related services.
- The overall market in 1992 is estimated at $300 million -- with 12% or $36 million being imported. The market is expected to increase at an average annual rate of 15% through to the year 2000.

CANADIAN EXPORT INTERESTS IN MEXICO

- Solid waste disposal technology
- Hazardous and non-hazardous waste consulting
- Engineering consulting
- Sewage treatment
- Waste-water treatment
- Environmental rehabilitation
- Equipment for filtering and purification

COMMONLY ASKED QUESTIONS

How does the 1990 environmental co-operation agreement between Canada and Mexico benefit the environmental equipment and services industry?

The agreement emphasizes technical training and environmental rehabilitation, thereby providing opportunities for the Canadian industry to work with Mexico. Projects undertaken include rehabilitation studies for industrial and municipal waste, provision of drinking water supplies, the clean-up of Lake Chapala and the development of bilateral and trilateral projects concerning migratory birds, wetlands and environmental training, and clean-up of border rivers.

NAFTA AND THE FERROUS AND NON-FERROUS METALS AND FABRICATED MATERIALS INDUSTRIES

THE CANADIAN INDUSTRY

- Canada is a world leader in the production of non-ferrous metals, such as aluminum and copper.
- The sectors employ more than 160,000 Canadians, with annual production valued at $23 billion.
- In 1991, Canada exported $20-billion worth of products from these sectors.
- These industries are important to the economies of Ontario, Quebec, British Columbia, Manitoba, Saskatchewan, New Brunswick and Nova Scotia.

WHAT'S IN THE AGREEMENT

- Elimination of all Mexican and Canadian duties within 10 years for all ferrous and non-ferrous metals and fabricated materials.
- Immediate elimination of Mexico's duties on coal, nickel, magnesium, some copper and aluminum ingots, all of which are export interests for Canadian companies.
- 10-year phase-out of Canadian duties for most iron, steel and fabricated metal products.

BENEFITS FOR CANADA

- Competitive access for Canadian firms to purchases of pipe and tube products by PEMEX, Mexico's state oil producers.
- Canada already exports steel rails, wire of iron or non-alloy steel and tin plated steel to Mexico.
- Canada's strongest export interest to Mexico in this sector is aluminum. Mexico produces only a small amount and currently imports mostly from Venezuela. Potential in this area is good.

THE MEXICAN MARKET

- In 1990, the Mexican market for ferrous and non-ferrous metals and fabricated materials was over $4 billion.
- It is estimated that the market for imported ferrous and non-ferrous metals and fabricated materials will grow as much as 14% per year over the next five years.
- Mexico imports products worth almost $2 billion in this sector from all countries. Major imports include flat-rolled metal products, tin plated steel; aluminum alloy, plate, sheet or strip; refractory bricks; unwrought alloyed aluminum; asbestos; and iron or steel bars and rods.
- Mexico, like Canada, is a strong international competitor in and important supplier of non-ferrous metals (e.g., copper, lead, gold, silver and zinc) to the world market.

CANADIAN EXPORT INTERESTS IN MEXICO

- Aluminum
- Magnesium
- Asbestos
- Copper cathodes
- Iron and steel bolts and screws
- Iron ore concentrates
- Bituminous coal
- Gold powder
- Platinum catalysts

COMMONLY ASKED QUESTIONS

Given Mexico's poor record of enforcement of environmental regulations, will mining and smelting operations be more attracted to Mexico than to Canada?

Mexico has put polluters on notice that it will not become a sanctuary for companies wishing to short-cut environmental obligations. In addition, Mexico now has environmental standards and penalties that are comparable to those of industrialized nations for ignoring these standards.

NAFTA AND THE FINANCIAL SERVICES INDUSTRY

THE CANADIAN INDUSTRY

- Employment of 500,000 people in the financial sector.
- The life insurance industry employs 123,000 people. Assets of $135 billion. Assets invested by Canadian life insurance companies on behalf of foreigners totalled $47 billion.
- Banks employ 191,000 people. Assets of $635 billion. Foreign assets of all Canadian chartered banks represent 26% of their total assets.
- The securities industry employs 23,000 people. Assets of $33 billion.

WHAT'S IN THE AGREEMENT

- Full access into Mexico's financial markets for Canadian and U.S. financial institutions over time. Until now full access has been denied to foreign firms.
- Canadian and U.S. banking, insurance and securities firms will be able to establish wholly owned subsidiaries in Mexico. Foreigners will be subject to certain market share limitations, until the year 2000. There are safeguards in banking and securities if Canadian and U.S. market share levels become excessive, but these disappear by 2007.
- The Agreement establishes principles to which all countries must adhere.
- The establishment of a consultation process, which may include regulators.
- Financial services will be subject to the disciplines of a dispute settlement mechanism which includes the participation of financial services experts.

BENEFITS FOR CANADA

- Significant new expansion opportunities for Canadian financial institutions in the developing Mexican market.
- The FTA has been improved to include clear principles or "rules of the road" defining our trade relationship with the U.S. and Mexico in financial services.
- An enhanced consultation and dispute settlement process will allow for greater opportunities to discuss and resolve industry concerns with the other NAFTA parties.

THE MEXICAN MARKET

- Mexican commercial banks are the largest financial intermediaries in the country with $150 billion in assets, followed by development banks with assets of $39.3 billion.
- The insurance industry is small by international standards, with total assets of $3.5 billion at the end of 1988.
- The capitalization of the Mexican stock market is growing rapidly, from $41 billion to $102 billion during 1991, and then to $140 billion by April 1992.

COMMONLY ASKED QUESTIONS

Did Canada gain better terms for Canadian banks in the U.S. market?

While no specific commitments have been secured from the U.S., the agreement does contain a set of important principles which U.S. law must respect. Under the Agreement, Canadian banks and other financial institutions will be entitled to the same treatment as U.S. institutions in all future U.S. liberalization initiatives.

Will the NAFTA result in more foreign ownership of Canadian banks and other financial institutions?

The NAFTA extends to Mexico the benefits of market access Canada provided to the U.S. in the FTA. However, Mexican financial institutions are not at this time strongly export oriented, so it will be many years before any meaningful Mexican investment into Canada can be expected. With respect to the U.S., the NAFTA does not provide any new market opportunities that did not exist previously, so there is no reason to expect any change in foreign investment by the U.S. in Canadian financial institutions.

NAFTA AND THE FOOD AND BEVERAGE INDUSTRY

THE CANADIAN INDUSTRY

- The agri-food sector is one of the top five industries in Canada.
- The food processing sector alone employs 232,000 people and production is valued at $55 billion.
- Canada's exports of processed food and beverages average about $6.4 billion a year. Commodity exports such as grain increase these exports to $11 billion; sales to Mexico average about $114 million.
- Although value-added food and beverage production is centred in Ontario and Quebec, regionally based food-processing industries are found all across Canada.

WHAT'S IN THE AGREEMENT

- Retention of Canada's import quotas and tariffs for poultry, eggs and dairy products; Mexico will also exclude these sectors.
- Immediate elimination of Mexican tariffs on Atlantic salmon, crab, hake, haddock, and dried and smoked fish; five-year phase-out on lobsters, scallops, mussels, oysters, and prepared and processed fish.
- Phasing out of all remaining Mexican tariff and non-tariff barriers that hinder Canadian exports.
- Immediate elimination of Mexico's import licences on wheat with progressive tariff removal over 10 years.
- Immediate elimination of Mexico's import licences on barley and table potatoes. Immediate duty-free access for specified quantities of barley and table potato exports, and barrier-free access after 10 years.
- Immediate elimination of Mexico's tariffs on dried peas, some dried beans, mustard flour, millet, lentils, honey, rye and buckwheat; other tariffs will be generally phased out over 5 or 10 years.
- Improved access to Mexico for pork, apples and potato products, with barrier-free access after 10 years.
- On exports to Mexico, an understanding that Canada and the U.S. will not use export subsidies except where competition is subsidized.
- Removal by Canada of restrictions on the import of Mexican wheat and barley, beef and margarine.
- Canada will impose special tariffs to prevent sudden surges of imports of certain fresh, frozen, or prepared fruits and vegetables, and cut flowers over 10 years.
- Agreement by all three countries not to use health and sanitary regulations as disguised trade barriers.
- Distinctive recognition and immediate elimination of Mexican tariff on Canadian whisky.
- Eight-year phase-out of Canadian and Mexican tariffs on beer.

BENEFITS FOR CANADA

- Whereas 85% of agriculture trade from Mexico already enters Canada duty free, Mexico maintains high import duties and import restrictions on many food products. The NAFTA will correct this imbalance.
- Mexico is unable to produce all its own foodstuffs, due to limited arable land base and increasingly restricted water supply. This presents opportunities for Canadian exporters.
- As Mexico's standard of living improves, imports of a wide range of agri-food products are likely to increase.
- New market opportunities for Canadian industry in wheat, barley, pork, lentils, canary seed, berries and apples, potatoes and potato products.

THE MEXICAN MARKET

- In 1990, the Mexican market for food and beverage products was $39.5 billion.
- Mexico imports $5-billion worth of food and beverage products.
- It is estimated that the market for imported food and beverages will grow as much as 30-40% per year over the next five years, providing many opportunities for Canadian exporters.

CANADIAN EXPORT INTERESTS IN MEXICO

- Fish and shellfish
- Wheat, barley and oilseeds
- Pork and pork products
- Potatoes and potato products
- Canary seed, dried beans and peas

COMMONLY ASKED QUESTIONS

How can Canadian fruit and vegetable producers compete against Mexico with its longer growing season and lower wages?

Mexican fruit and vegetable exports to Canada are small and most of them are already entering duty free during the winter months, when Canada has to import fresh produce. Tariffs for Canada's sensitive fruits and vegetables and flowers will be phased out over 10 years. The most sensitive sectors will also benefit from a special safeguard which will trigger automatically if imports exceed specified volumes. NAFTA will provide export opportunities for Canadian temperate-climate fruits (apples, blueberries) and potatoes and potato products.

NAFTA AND THE FORESTRY INDUSTRY

THE CANADIAN INDUSTRY

- The forestry industry is important in British Columbia, Ontario, Alberta, Quebec, New Brunswick and Newfoundland.
- The industry is the principal employer in over 350 communities and provides jobs for over 250,000 people.
- Canada exported approximately $20-billion worth of forest products in 1991.

WHAT'S IN THE AGREEMENT

- While one of Mexico's most sensitive sectors, Canada gained early elimination of Mexico's duties on a number of wood, pulp and paper products and the elimination of all duties within 10 years on all forestry products.
- Immediate tariff phase-out for chemical pulp, softwood lumber for timber frame construction and mouldings, shakes and shingles, beech lumber, veneers, and wooden prefabricated houses.
- Five-year phase-out of tariffs for maple, fibreboards and railway ties.
- Early access to Mexico for some newsprint, coated and uncoated paper, and kraft and specialty paper.
- Five to ten-year phase-out on most primary papers, ten-year phase-out on converted papers.
- Better access to government procurement contracts for goods, including building and paper products.

BENEFITS FOR CANADA

- Markets for Canadian exports will improve. Canada already supplies 10% of the $1-billion Mexican market for imported wood and paper products.
- With the phase-out of duties, Canadian exports will have a competitive advantage over offshore suppliers, particularly in pulp, newsprint, fine paper and sanitary paper products.
- Plywood and veneer sheets are important export items for Canada, and the Mexican demand for such converted wood products is expected to grow by 11% per year.
- Mexican demand for pulp will grow by about 50% over the next 10 years.

THE MEXICAN MARKET

- Mexico imports almost $1 billion of forestry products annually and imports are expected to grow at a rate of 12% per year over the next five years.
- Good prospects exist in the areas of chemical wood pulp, fine paper, sanitary paper products (including diapers), softwood lumber, newsprint, veneer and plywood.

CANADIAN EXPORT INTERESTS IN MEXICO

- Coniferous lumber
- Maple, ash or western red cedar beams/planks
- Veneer sheets and plywood panels
- Particle wood panels
- Shingles and shakes
- Chemical wood pulp
- Newsprint, fine paper and writing paper
- Sanitary paper products
- Prefabricated housing
- Other wood products

COMMONLY ASKED QUESTIONS

Will Mexico turn to the U.S. to meet its growing demand for wood and paper?

Canada, the world's leading exporter of wood and paper products, now competes with the U.S. in the Mexican market. The NAFTA will ensure Canada competes on the same basis as U.S. suppliers. The elimination of Mexican duties will also make Canadian exports more competitive compared with the Scandinavian countries, which have traditionally been selling to the Mexican market. Also, as U.S. suppliers export to the Mexican market, there is increased opportunity for Canada to export to the U.S.

Will the NAFTA resolve the Canada-U.S. dispute on softwood lumber?

Canada will continue to challenge the U.S. ruling on softwood subsidies through the dispute settlement provisions of the FTA and the GATT. The major issues of subsidy and countervail disciplines are being negotiated in the GATT and are therefore not addressed in the NAFTA. The NAFTA will contain dispute settlement provisions similar to those of the FTA.

NAFTA AND THE INDUSTRIAL EQUIPMENT INDUSTRY

THE CANADIAN INDUSTRY

- The industry employs 84,400 Canadians.
- Total production is valued at $10 billion a year.
- In 1991, Canada exported $2.6-billion worth of industrial equipment.
- Major exports include resource and construction equipment, filtering/purifying equipment, tractors, rubber and plastic processing equipment and moulds.

WHAT'S IN THE AGREEMENT

- Elimination of all Mexican and Canadian duties within 10 years for all industrial equipment.
- Early phase-out of Mexican duties on filtering and purifying equipment.
- Immediate elimination of Mexican tariffs on plastic processing machinery, packaging and wrapping machinery, paper and paperboard-making machinery, weighing devices, materials handling equipment and tractors -- Canadian export interests.
- Clearer and more precise rules of origin, narrowing the scope for disputes.
- Extension of duty drawback for two years beyond the FTA expiry 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.
- Enhanced access to U.S. procurement contracts for industrial equipment industries, including contracts from the Rural Electrification Administration and U.S. Army Corps of Engineers.
- Canadian firms will for the first time have competitive access to purchases by PEMEX, the state-owned oil company, and CFE, Mexico's power utility.

BENEFITS FOR CANADA

- Traditionally, Mexico has had large imports of industrial equipment. Canadian products in this sector are well accepted in Mexico. A January 1992 trade fair in Monterrey was very successful -- over 200 Canadian exhibitors participated. Opportunities for Canadian firms are expected to increase with the NAFTA.
- Modernization and expansion of Mexican industries will provide new export opportunities for Canadian exporters of industrial equipment.

THE MEXICAN MARKET

- In 1990, the Mexican market for industrial products was over $6 billion.
- Mexico imports industrial equipment worth $3.9 billion.
- Overall, the Mexican market for industrial products is expected to grow by as much as 35% over the next five years.

CANADIAN EXPORT INTERESTS IN MEXICO

- Pulp and paper machinery
- Plastic injection and extruding equipment
- Blow moulding equipment
- Moulds for rubber and plastics
- Tractors, graders and loaders
- Mining equipment

COMMONLY ASKED QUESTIONS

Will Mexico move to allow greater access for Canadian-made oil and gas equipment?

While Mexico maintains some investment restrictions in the energy sector, it has agreed to liberalize access to its market for oil and gas industrial equipment. Canadian oil field supply and service companies are world-class and have a great deal to offer the Mexican market.

In July 1991, Canada's Export Development Corporation signed a line of credit with PEMEX and we expect that this will encourage them to "buy Canadian." A plan for restructuring PEMEX as a consortium of seven enterprises has been proposed. This would increase the opportunities for Canadian suppliers of equipment and services.

NAFTA AND THE INFORMATION TECHNOLOGIES INDUSTRY

THE CANADIAN INDUSTRY

- The industry directly employs over 160,000 Canadians and is one of the fastest growing areas in the Canadian economy.
- The industry is based mainly in Ontario, Quebec and British Columbia.
- In 1991, Canada's exports of information technologies to all countries were valued at $10 billion.
- Canada's major exports include data-processing machines, accessories and parts, printed circuits, telecommunications equipment, cathode-ray tubes for colour television and computer video monitors.

WHAT'S IN THE AGREEMENT

- Elimination of all Mexican and Canadian duties within 10 years for information technologies products.
- Immediate elimination of tariffs on television and computer tubes, and most telecommunications equipment. Central switching apparatus and telephone sets will be phased out over five years, as will be printed circuit boards and televisions.
- Early tariff elimination on transmission apparatus.
- All parties agree to apply identical tariffs for computers, microelectronics and related equipment from non-NAFTA countries within 10 years.
- Continued protection of basic telecommunications networks and services. Elimination of Mexican trade barriers on enhanced telecommunications and computer services as of July 1995.
- Better access to a range of government procurement contracts for high-technology equipment in the Mexican and U.S. markets.
- Clearer and more precise rules of origin, narrowing the scope for disputes.
- Extension of duty drawback for two years beyond the FTA expiry 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.

BENEFITS FOR CANADA

- Mexico relies on imported technology to cover its industries' growing needs for high-technology products and inputs.
- As a result of the liberalization and privatization of the telecommunications sector, there will be a demand for more modern equipment and services, which will provide increased export opportunities to Canadian exporters.
- Other Canadian products with good sales prospects in Mexico include electronic components and computer software for micro-computers.

THE MEXICAN MARKET

- Mexico imported $10.62-billion worth of products in this sector last year.
- The Mexican government and the private sector are dedicated to modernizing and upgrading Mexico's infrastructure, in order to develop a more sophisticated manufacturing capability and to improve its economic position.
- Overall, the Mexican market for imported technology products is expected to grow up to 20% per year over the next five years.
- Present Mexican imports are wide-ranging and include television receivers/video monitors/projectors, telecommunications equipment and parts, and data input and output units.

CANADIAN EXPORT INTERESTS IN MEXICO

- Data-processing machines, accessories and parts
- Telecommunications equipment and parts
- Printed circuits
- Cathode-ray tubes for computers and colour televisions
- Point of sale terminals

COMMONLY ASKED QUESTIONS

How will Canadian computer assembly firms be affected by the NAFTA rules of origin?

The rules of origin for computers will enable our industry to further integrate into a larger North American economy, while maintaining its global competitiveness. To further advance the interests of our industry, the three countries have agreed to match their external tariffs in 10 years, thereby eliminating the need for rules of origin. This is strongly supported by our computer industry.

NAFTA AND THE RECREATIONAL, HOUSEHOLD AND HEALTH-CARE PRODUCTS INDUSTRIES

THE CANADIAN INDUSTRY

- Canadian exports to all countries were valued at $3.7 billion in 1991.
- Exports include medical equipment; tapes and sound recordings; newspapers, journals and periodicals; boats and canoes; furniture, books and coins; and sporting and camping goods.

WHAT'S IN THE AGREEMENT

- Elimination of all Mexican and Canadian tariffs within 10 years.
- Immediate phase-out of Mexican duties for most health and medical equipment. Five-year phase-out for most sporting goods.
- 10-year phase-out of Canadian duties for most furniture, toys, brooms, brushes and cosmetics.
- Immediate phase-out of Canadian tariffs for many products not made in Canada, such as toasters and hair dryers.
- Clearer and more precise rules of origin, narrowing the scope for disputes.
- Canada retains the right to maintain high health and safety standards.

BENEFITS FOR CANADA

- The newly opened Mexican market for these industries encompasses a variety of product categories beneficial to Canada.
- Mexico's growing young urban population, enjoying higher incomes generated by enhanced economic conditions, has a marked preference for imported products.
- The elimination of import restrictions and the favourable image of imported consumer and household products will provide new opportunities for Canadian business.

THE MEXICAN MARKET

- In 1991, Mexico imported $6.3-billion worth of recreational, household and health-care products.
- Growth potential is considerable given Mexico's growing young urban population. (Population: 85 million, of which 70% are under 30 years old.)
- It is estimated that the market for products in this sector will grow by more than 50% over the next five years.
- Mexico imports a wide range of consumer products including books, magazines, tapes, video games, newspapers and other periodicals and journals, perfumes and other cosmetics, and motorized toys. Many of these represent potential for Canadian exporters.

CANADIAN EXPORT INTERESTS IN MEXICO

- Photographic and cinematograph film
- Personal hygiene products
- Office supplies (envelopes, diaries, address/telephone books, binders, folders, file covers)
- Medical and hospital equipment

COMMONLY ASKED QUESTIONS

Canada is known for the high quality of many of its consumer and health-care products. Is there a risk that Canada's high technical standards will be lowered to those of Mexico?

No. On the contrary, the NAFTA ensures the right of each country to preserve existing standards and technical regulations and to adopt new ones that are more stringent than international standards. Harmonization of standards does not imply accepting either the lowest common denominator or the middle ground. The NAFTA standards chapter calls for co-operation in the enhancement of the protection of human, animal and plant life, and of the environment, and provides the impetus for Mexico to raise its standards.

Will the NAFTA benefit Canadian consumers?

Yes. Removing tariffs will reduce costs not only for Canadian consumers but also for Canadian manufacturers.

NAFTA AND THE TEXTILES, APPAREL, LEATHER AND FOOTWEAR INDUSTRIES

THE CANADIAN INDUSTRY

- These industries directly employ more than 178,000 people.
- Canada is internationally competitive in the area of designer fashions, outerwear, work and safety footwear, and many fibres, yarns, fabrics and industrial textiles.
- The industries are important to the economies of Ontario, Quebec and Manitoba, as well as to British Columbia and Nova Scotia.
- In 1991, Canada's total exports of textiles, apparel, leather and footwear to all countries were valued at $1.9 billion. Major exports include cowhides, fur skin accessories, mink fur skins, synthetic fibres, wool suits and tire cord fabric.
- Over 80% of Canada's apparel exports are to the U.S. market.
- Since the Free Trade Agreement (FTA), apparel exports to the U.S. have increased by 60% and fabric exports by 15%, yarn exports have more than doubled and fibre exports have increased by 50%.

WHAT'S IN THE AGREEMENT

- 10-year tariff phase-out for most apparel, footwear and leather goods.
- Eight-year phase-out for most textile goods.
- Changes in rules of origin for apparel and certain textiles are offset by larger tariff rate quotas, which extend preferential tariffs to goods that do not meet the rules.
- These special quotas are now made permanent and subject to annual growth rates.
- Extension of duty drawback for two years beyond the FTA expiry 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.

BENEFITS FOR CANADA

- Improved quota access to U.S. for apparel and textile products, in some cases more than doubling current FTA levels.
- 10-year adjustment period for Canada's apparel and footwear industries.

THE MEXICAN MARKET

- In 1990 the total Mexican market for textiles, apparel, leather and footwear products was $10.5 billion.
- Mexico currently imports $1.4-billion worth of products.

CANADIAN EXPORT INTERESTS IN MEXICO

- High-end men's and women's clothing
- Work wear
- Industrial and geotextiles
- Textiles for the auto industry
- Apparel fabrics

COMMONLY ASKED QUESTIONS

Will textile and apparel manufacturing operations in the maquiladoras adversely affect workers in our industry?

We are confident about our industry's ability to compete. The Mexican apparel industry produces cheaper, lower-quality items, while Canada's industry is moving into high-quality, designer apparel. Canada also has the advantage of state-of-the-art equipment and technology.

By eliminating tariffs over 10 years, we will give our apparel manufacturers time to adjust. Canada's apparel imports from Mexico in 1990, including from the maquiladoras, represented only 0.5% of our total apparel imports.

NAFTA AND THE TRANSPORTATION SERVICES INDUSTRY

THE CANADIAN INDUSTRY

- The Canadian trucking industry employs about 130,000 people, with revenues exceeding $10 billion. The industry transports about two-thirds of all Canada-U.S. trade.
- The rail industry employs 63,000 workers, accounting for over 90% of all freight revenues in Canada.
- The marine industry employs 26,000 Canadians, with revenue totalling $62 billion.
- Canadian specialty air operations include helilogging, surveying/mapping, firefighting, spraying, forest management, sightseeing and flight training, generating about $300 million in revenue.
- The intercity bus industry employs 4,200 Canadians. The industry provides services to about 3,000 communities in Canada. Charter and tour operations account for about 15% of the industry.

WHAT'S IN THE AGREEMENT?

- Greater freedom by Canada to provide tour bus and trucking services into Mexico.
- Clearer immigration rules for operators of international transportation services.
- Gradual removal of all Mexican foreign ownership restrictions on international trucking firms over a 10-year period.
- Commitment to harmonize operating and safety standards.
- Commitment to enhance environment and safety standards.
- Trilateral liberalization of trade in specialty air services.
- Agreement between Canada and Mexico to maintain their relatively open international maritime shipping services.

BENEFITS FOR CANADA

- Easier shipment of goods by land in North America.
- Gradual phasing-out of Mexican investment restrictions, giving Canadian carriers time to develop long-range business plans, such as expanding fleets and routes across the continent.
- Canadian firms have the same competitive opportunities as their U.S. and Mexican counterparts.
- Canadian truckers can carry goods to the U.S., pick up cargo for Mexico, and make the return trip carrying cargo to both the U.S. and Canada.
- Clearer rules for ship repairs of U.S. vessels in Canadian shipyards.
- Canadian operating and safety standards are maintained.

THE MEXICAN MARKET

- Mexican domestic land transport regulations were dramatically liberalized in January 1990, leading to increased competition and improved transport services inside Mexico.
- The publication **Transportation Services Between Canada and Mexico** is available from the Transportation Services and Communications Division at External Affairs and International Trade Canada. It addresses the distribution and transportation needs of Canadian exporters to Mexico. It can be obtained by calling (613) 995-7554.

CANADIAN EXPORT INTERESTS IN MEXICO

- Specialty air services (aerial mapping/surveying)
- Increased access for trucking industry and tour bus operators in Mexican markets

COMMONLY ASKED QUESTIONS

Does this mean that Mexican and American truckers can compete with Canadians on domestic routes?

No. While the NAFTA provides for free access within the free-trade area for international routes, domestic carriers within each country will maintain exclusive rights to haul domestic cargo on domestic routes.

Will changing the rules on international cargo cause difficulty for the Canadian trucking industry?

No, because Canada currently maintains an open regime vis-à-vis both Mexico and the U.S. Canada therefore will not have to make any regulatory changes, unlike Mexico and the U.S., both of which will have to change their regimes.

What does the NAFTA say about air transportation?

The NAFTA deals only with specialized air services, such as aerial mapping and aircraft repair services. The NAFTA does not include passenger and cargo services. Canada is holding separate "Open Skies" negotiations with the U.S. on transborder air service.

Did the U.S. agree to open the American maritime shipping transportation sector. Were we successful?

No. Canada aggressively pursued an opening of the maritime shipping sector. The U.S. did not agree to open this sector. However, in spite of the U.S. position, Canada did strike an agreement with Mexico for international shipping which excludes the U.S.

NAFTA AND THE URBAN TRANSIT AND RAIL EQUIPMENT INDUSTRIES

THE CANADIAN INDUSTRY

- Total employment in this industry sector is 8,000.
- In 1991, Canada exported $536-million worth of urban transit and rail products.
- Canada's major exports in this area include buses, locomotives and parts, urban rail equipment and railway rolling stock.

WHAT'S IN THE AGREEMENT

- Elimination of all Mexican and Canadian duties within 10 years for all urban transit and rail equipment.
- An integrated North American market for urban transit and rail products. This provides an advantage over European suppliers.
- Immediate elimination of Mexico's tariffs on urban rail equipment, freight cars, locomotives and rolling stock parts, which are export interests for Canadian manufacturers.
- Freedom for rail cars to exit the U.S. and Mexico at convenient points, instead of only at the point of entry.
- Extension of duty drawback for two years beyond the FTA expiry 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.

BENEFITS FOR CANADA

- Canadian exporters to Mexico will have a competitive advantage over offshore suppliers.
- Mexico City plans to spend US$180 million on upgrading its metro system. Canadian railway equipment manufacturers will be interested in this and in other Mexican modernization programs that represent potential market opportunities.
- Mexican capability in this area is not strong. If the Mexican government continues to invest in the country's infrastructure, additional opportunities will arise for Canadian business.

THE MEXICAN MARKET

- Mexico currently imports products worth $130 million in this sector.
- It is estimated that the market for imported urban transit and rail equipment will grow by as much as 10-18% over the next five years, providing considerable opportunities for Canadian business.

CANADIAN EXPORT INTERESTS IN MEXICO

- Urban rail equipment
- Diesel-electric rail locomotives
- Locomotive parts
- Railway rolling stock and parts
- Steel rail
- Buses

COMMONLY ASKED QUESTIONS

Will the NAFTA enhance the Canadian ability to sell rail equipment in the Mexican market?

With the rapid urban growth of the Mexican population in all major centres, significant demand for reliable and environmentally clean urban transit services has developed. Current Mexican capability in this area is not strong. Mexico's demand for quantities of steel rail, locomotives and spares, rolling stock and track machinery is growing steadily and these products are in areas of Canadian strengths. The immediate elimination of duties on urban rail cars and most rail equipment will make it easier for Canadian companies to export to Mexico. Some Canadian rail equipment companies have already opened offices in Mexico to take advantage of the opportunities, and Bombardier has recently purchased the largest manufacturer of rail equipment.

NAFTA AND BRITISH COLUMBIA

WHAT'S IN THE AGREEMENT FOR THE BRITISH COLUMBIA ECONOMY

- Immediate elimination of Mexico's tariffs on coal, sulphur and some wood and paper including spruce-pine-fir (SPF) lumber for construction, softwood mouldings, shakes and shingles, log prefabricated houses, chemical pulp and some newsprint.
- Immediate elimination of Mexican tariffs on fish, including Pacific salmon.
- Import quotas for supply managed egg, poultry and dairy sectors maintained.
- Improved access for apples, raspberries and blueberries.
- Safeguards established to moderate sudden import surges of most sensitive fruits and vegetables.
- Immediate elimination of Mexican tariffs on most telecommunications equipment and future compatibility of telecommunications standards.
- Improved rules of origin for microelectronic components and products.
- Strong commitments to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment. Export opportunities for B.C. environmental equipment and services.
- Improved access to the developing Mexican market for professional services, including management, engineering, accounting and legal services.
- Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Access for specialty air services including aerial mapping, heli-logging and surveying to both the U.S. and Mexican markets.
- Better access to government procurement contracts including for construction materials, telecommunications equipment, high tech software, and consulting engineering. Procurement at the provincial and municipal level is unaffected by the NAFTA.
- Clearer rules for repairs of U.S. vessels in Canadian shipyards.
- Clearer disciplines on energy regulators to avoid discriminatory actions against contractual arrangements, benefitting Canadian gas exporters.
- Comprehensive provisions on intellectual property, including pharmaceuticals, in line with the recent extension of patent protection in Canada and consistent with General Agreement on Tariffs and Trade (GATT) proposals.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

BRITISH COLUMBIA - KEY EXPORT SECTORS TO WORLD MARKETS

Wood, paper, fish, primary metals, mining products, food products, aluminum, chemicals, coal, electrical and electronics products, machinery, consulting services, and pharmaceuticals.

POTENTIAL BRITISH COLUMBIA EXPORT INTERESTS IN MEXICO

Lumber, veneer, plywood, pulp, paper, sulphur, coal, copper, aluminum, honey, raspberries, blueberries and apples, salmon, urea, parts for generating boilers, air or gas compressors, vacuum pumps, furnaces, freezers, heat-exchange units, mining, construction and agricultural equipment, poultry incubators, industrial freezers, furnaces and trucks.

NAFTA OPPORTUNITIES FOR BRITISH COLUMBIA

- **Forest Products and Equipment**
  Early elimination of Mexican tariffs on some wood, pulp and paper products will make B.C.'s forest product industry more competitive. It is expected that the Mexican demand for pulp will grow by about 50% over the next 10 years. The Mexican forestry equipment and services market is expected to be worth $55 million by 1994. Imports accounted for 84% of the market in 1989. With the NAFTA, B.C. companies will be positioned to expand their market share.

- **Fish**
  The Mexican market for fish and shellfish products is expected to increase at an average annual rate of 3.5% to reach $1.4 billion by 1994. Immediate elimination of duties on fresh and frozen Pacific salmon will result in greater opportunities for B.C.'s fish industry.

- **Mining Equipment and Services**
  It is estimated that a NAFTA would stimulate a 13.2% increase in Mexican mining production over its first 10 years, simply from increased economic growth and demand for basic minerals. B.C. companies stand to benefit from this increase.

- **Industrial Machinery and Technology**
  Mexico's capital goods market is expected to grow 8% a year during the next five years as Mexican manufacturers improve productivity to compete under a NAFTA. B.C. firms in this sector will be well positioned to take advantage of this opportunity.

NAFTA AND ALBERTA

WHAT'S IN THE AGREEMENT FOR THE ALBERTA ECONOMY

- Clearer disciplines on energy regulators to avoid discriminatory actions against contractual arrangements, benefitting Canadian gas exporters.
- Immediate elimination of Mexico's tariffs on many types of industrial equipment, such as well-displacement pumps and filtering and purifying equipment, all export interests for Alberta.
- Five-year elimination of Mexican tariffs on most oil field equipment.
- Immediate elimination of Mexican tariffs on most telecommunications equipment. Future compatibility of telecommunications equipment standards.
- Import quotas for supply managed egg, poultry and dairy sectors maintained.
- On sugar, Canada will match Mexican tariffs.
- Immediate elimination of Mexico's import licences on wheat, with progressive tariff removal over 10 years.
- Immediate elimination of Mexico's import licence for barley; immediate duty-free access for specified quantities with barrier-free access on barley after 10 years.
- Immediate elimination of Mexican tariffs on dried peas, mustard flour, millet, honey, lentils, rye, buckwheat and horses. Improved access for pork and canola products, with barrier-free access after 10 years.
- Improved access for oil and gas services in Mexico.
- Access for specialty air services including aerial mapping and surveying to both the U.S. and Mexican markets.
- Improved access to the developing Mexican market for professional services, including management, engineering, accounting and legal services.
- Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Comprehensive provisions on intellectual property, including pharmaceuticals, in line with the recent extension to patent protection in Canada and consistent with General Agreement on Tariffs and Trade (GATT) proposals.
- Strong commitment to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment. Export opportunities for Alberta environmental equipment and services.
- Better access to government procurement contracts including for oil and gas equipment, as well as drilling, exploration and production contracts; professional, consulting engineer, and architectural services; and telecommunications equipment. Procurement at the provincial and municipal levels is unaffected.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

ALBERTA - EXPORT SECTORS TO WORLD MARKETS

Petroleum and natural gas products and bi-products such as sulphur, agriculture and food products, chemicals, paper, wood, mining products, and transportation and telecommunications equipment.

POTENTIAL ALBERTA EXPORT INTERESTS IN MEXICO

Natural gas, petrochemicals and sulphur, telecommunications equipment, potassium chloride, ammonium sulphate, softwood lumber, magnesium, environmental equipment, Canadian whiskey, wheat, barley, oats, canola, canary seed, peas, alfalfa meal, vegetable oils, pork, beef, processed food and horses.

NAFTA OPPORTUNITIES FOR ALBERTA

- **Oil and Gas Equipment and Services**
  The Mexican state-owned oil company Petroleos Mexicanos will be more open to foreign participation in service and drilling contracts. The Export Development Corporation has financing programs available to assist Canadian suppliers in taking advantage of these opportunities. A number of Alberta companies can expect to benefit.

- **Agricultural and Food Products**
  Mexican agri-food imports expected to grow by 30%-40% per year. Strong prospects for products such as wheat, barley, canola, specialty crops, red meats and breeding stock. With a rising Mexican standard of living, imports of bulk commodity and specialty food items is expected to increase. The Alberta food processing industry can expect to benefit from barrier-free entry.

- **Telecommunications Industry**
  Mexican demand in the telecommunications industry is expected to grow due to the privatization of TELMEX and the liberalization of the overall communications and computer markets. The Mexican market for telecommunications products is expected to grow 42% by the year 2000. Improved rules of origin for telecommunications products will be beneficial to this sector.

- **High Technology and Pollution Abatement**
  Alberta has spawned a thriving nucleus of small business, producing a range of products from heart valves to environmental monitoring and control equipment. These small, specialized, high-technology firms are ideally placed to offer innovative products to the Mexican market as tariffs are phased out.

NAFTA AND SASKATCHEWAN

WHAT'S IN THE AGREEMENT FOR THE SASKATCHEWAN ECONOMY

- Immediate elimination of Mexican tariffs on potash and other fertilizers, chemical pulp, some paper products, most agricultural equipment and a wide variety of industrial and electrical machinery and equipment -- all export interests to Saskatchewan.
- Immediate elimination of Mexican tariffs on most telecommunications equipment and future compatibility of telecommunications standards.
- Import quotas maintained on supply managed egg, poultry and dairy sectors.
- Immediate elimination of Mexican tariffs on dried peas, some dried beans, mustard flour, millet, honey, lentils, rye and buckwheat.
- Immediate elimination of Mexico's import licences on wheat, with progressive tariff removal over 10 years.
- Immediate elimination of Mexico's import licence for barley; immediate duty-free access for specified quantities with barrier-free access on barley after 10 years.
- Improved access for pork, with barrier-free access after 10 years.
- Strong commitment to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment.
- Improved access to the developing Mexican market for professional services. Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Better access to government procurement contracts for suppliers of goods, services and construction. Procurement at the provincial and municipal levels is unaffected by the NAFTA.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

SASKATCHEWAN - KEY EXPORT SECTORS TO WORLD MARKETS

Agricultural and food products, mining products, fertilizers, petroleum, and agricultural and resource machinery.

POTENTIAL SASKATCHEWAN EXPORT INTERESTS IN MEXICO

Wheat, barley, oats, millet, canary seed, peas, lentils, alfalfa meal, honey, vegetable oils, pork, beef, milk powder, potash, potassium chloride and sulphate, telecommunications equipment and wire, construction and agricultural equipment, and printed circuits.

NAFTA OPPORTUNITIES FOR SASKATCHEWAN

- **Potash**
  During the last four years, Saskatchewan has exported an average of more than $5 million per year of potash. Under the NAFTA, Mexican tariffs will be eliminated immediately, resulting in opportunities for the province to increase its exports in this area.

- **Agricultural Industries**
  Traditionally, Saskatchewan has been Canada's largest exporter of wheat and canola oil seeds to Mexico. It is estimated that the Mexican market for these products is at least $100 million. Firms such as Newfield Seeds and Naber Seeds Inc. are currently working actively to increase their market shares in Mexico. Immediate phase-out of tariffs on dried peas, some dried beans, mustard flour, millet, honey, lentils, rye and buckwheat, as well as immediate conversion of Mexican import licences on wheat to a low tariff, will improve access for Saskatchewan companies and provide a competitive advantage.

- **Agricultural Equipment**
  Early phase-out of Mexican tariffs will provide greater access and a competitive advantage for Saskatchewan manufacturers of agricultural equipment.

- **Ferrous and Non-Ferrous Metals**
  Mexico's overall imports in this sector amount to almost $2 billion a year. This is expected to increase as much as 14% a year over the next five years. Exports of steel products from Saskatchewan have particular potential for growth in Mexico.

NAFTA AND MANITOBA

WHAT'S IN THE AGREEMENT FOR THE MANITOBA ECONOMY

- Immediate elimination of Mexico's import licence on wheat, with progressive tariff removal over 10 years.
- Immediate elimination of Mexico's import licence on barley; immediate duty-free access for specified quantities with barrier-free access after 10 years.
- Immediate elimination of Mexican tariffs on dried peas, some dried beans, mustard flour, millet, honey, lentils, rye and buckwheat.
- Import quotas maintained on supply managed poultry egg, and dairy sectors.
- On sugar, Canada will match Mexican tariffs.
- Safeguards established to moderate sudden import surges of most sensitive fruits and vegetables.
- Improved Mexican market opportunities for oilseed products and pork, with barrier-free access after 10 years.
- Early elimination of Mexican tariffs on most agricultural equipment including the immediate elimination of tariffs on tractors, medical equipment, industrial/electrical machinery and equipment, and on some forestry products -- all export interests for Manitoba.
- The inclusion of land transportation (trucking) and specialty air services such as aerial mapping and surveying.
- Increases in the apparel quotas giving preferential access to the U.S. market for Canadian goods that do not meet the new rules of origin.
- Ten-year tariff phase-out for apparel imports from Mexico; eight years for textiles.
- Comprehensive provisions on intellectual property, including pharmaceuticals, in line with the recent extension to patent protection in Canada and consistent with General Agreement on Tariffs and Trade (GATT) proposals.
- Strong commitment to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment.
- Improved rules of origin for many products, narrowing the scope for disputes.
- Improved access to the developing Mexican market for professional services. Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Better access to government procurement contracts for suppliers of goods, services and construction, including construction materials. Procurement at the provincial and municipal levels is unaffected by the NAFTA.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

MANITOBA - KEY EXPORT SECTORS TO WORLD MARKETS

Agriculture and food products, transportation equipment, primary metals, machinery, pulp, paper and wood.

POTENTIAL MANITOBA EXPORT INTERESTS IN MEXICO

Wheat, barley, rye, millet, canary seed, dried peas, lentils, potatoes, vegetable oils, pork, beef, automotive parts, diesel-powered buses, nickel, copper, wire, mining, construction and agricultural equipment, paper, lumber and printed circuits.

NAFTA OPPORTUNITIES FOR MANITOBA

- **Agriculture/Food Products**
  Elimination of tariffs and/or import licence on wheat, barley, canola, dried peas, dried beans and pork will lead to increased opportunities for Manitoba exporters. A number of Manitoba producers in this area are already active in the Mexican market (i.e., Northern Sales Co. exports grain while XCAN Grain Ltd. is involved in the wheat and canola market). Special safeguards on the most sensitive fruits and vegetables will allow Manitoba producers of these products time to adjust to the changing marketplace.

- **Forestry Products**
  It is expected that the Mexican demand for pulp will grow by about 50% over the next 10 years. At the same time, Mexico's duties on wood and pulp and paper products are being eliminated. The pulp and paper industry in Manitoba will be able to benefit from this increase and take advantage of new market opportunities.

- **Transportation Equipment and Services**
  The Mexican market for imported urban transit and rail equipment is expected to grow by as much as 10%-18% over the next five years. An integrated North American market for these products will provide an advantage for Manitoba companies over non-NAFTA suppliers. One of the urban transit companies already active in Mexico is New Flyer Industries of Winnipeg. There will be greater freedom to provide trucking services into Mexico.

NAFTA AND ONTARIO

WHAT'S IN THE AGREEMENT FOR THE ONTARIO ECONOMY

- Elimination within five years of Mexican tariffs on key Ontario export interests, including most auto parts, nickel and nickel products, maple and beech lumber, pulp and a wide variety of industrial, electrical and telecommunications machinery and equipment.
- Clear and more precise rules of origin, particularly in calculating North American content for autos and auto parts, and for telecommunications equipment, electrical and industrial equipment, computers and other high tech equipment.
- Canada-U.S. Auto Pact remains intact.
- Extension for two years on duty drawback beyond the Canada-U.S. Free Trade Agreement (FTA) expiry 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.
- Immediate elimination of Mexican tariffs on all telecommunications equipment except for a five-year phase-out for central switching equipment apparatus and telephone sets. Future compatibility of telecommunications standards and opening of the Mexican market for enhanced telecommunications services.
- The inclusion of land transportation (trucking) and specialty air services such as aerial mapping and surveying.
- Improved access for financial institutions and consulting services in the developing Mexican market.
- Improved access to the developing Mexican market for professional services, including management, engineering, accounting and legal services.
- Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Strong commitment to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment. Export opportunities for Ontario environmental equipment and services.
- Import quotas on supply managed egg, poultry and dairy sectors maintained.
- Improved access to Mexico for agricultural products, including processed foods, pork, frozen corn and tobacco.
- Safeguards established to moderate sudden import surges of most sensitive fruits and vegetables.
- Increases in the apparel and textiles quotas, giving preferential access to the U.S. market for Canadian goods that do not meet the new rules of origin.
- 10-year tariff phase-out for apparel imports from Mexico; eight years for textiles.
- Comprehensive provisions on intellectual property, including pharmaceuticals, in line with the recent extension to patent protection in Canada and consistent with General Agreement on Tariffs and Trade (GATT) proposals.
- Better access to government procurement contracts for suppliers of a range of industrial and high technology goods; professional and business services, construction and construction materials. For the first time, Canadian contractors will have access to the U.S. Army Corp of Engineers for construction contracts worth $8.9 billion per year. Procurement at the provincial and municipal levels is unaffected by NAFTA.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

ONTARIO - KEY EXPORT SECTORS TO WORLD MARKETS

Transportation equipment, primary and fabricated metal, machinery and electrical equipment, electronic products, industrial chemicals, food products, wood and paper, aerospace products, pharmaceuticals, consulting engineering, financial services, and computer and telecommunications services.

POTENTIAL ONTARIO EXPORT INTERESTS IN MEXICO

Cars, auto parts, railway cars and parts, radioactive isotopes, concrete pumps, freezers, centrifuges, nickel, gold, copper, aluminum products, iron ore, chlorine, urea, ammonium sulphate, synthetic rubber, textiles, lumber, paper, iron and steel product, wire, magnesium, poultry incubators, mining equipment, construction and agricultural equipment, pork, beef, honey, peas, lentils, tobacco, Canadian whiskey and beer, canary seed, trucks and buses, cathode-ray television picture tubes, and radio and television transmission apparatus.

NAFTA OPPORTUNITIES FOR ONTARIO

- **Autos**
  NAFTA improves and clarifies the Canada-U.S. Free Trade Agreement (FTA), preserves the Canada-U.S. Auto Pact and improves access to the Mexican market by removing barriers to Canadian exports. Mexico -- with the continent's fastest growing auto market -- will eliminate within 10 years its protectionist auto policy, which has restricted access for vehicles and has forced parts and assembly investment in Mexico. As the Mexican market continues to grow, significant opportunities will arise for the export of vehicles and parts.
- **Telecommunications Industry**
  Telecommunications is one of Ontario's largest export industries. Mexican demand is expected to grow due to the privatization of TELMEX and the liberalization of the overall communications and computers markets. The Mexican market for telecommunications products is expected to grow 42% by the year 2000. Ontario-based companies such as Northern Telecom and Telesat are already active in the Mexican market. Increased liberalization provides greater opportunities for these and other telecommunications firms. The opening of the Mexican market for enhanced telecommunications services will also provide expanded opportunity for Ontario- based computer services firms.
- **Industrial Machinery**
  Mexico has a strong need to import capital goods, and Canadian products are well-accepted. With phase-out within five years of Mexican duties on such products as filtering and purifying equipment, plastic-processing machinery, packaging and wrapping machinery, among others, opportunities for Canadian firms are expected to increase.
- **Food and Beverage Industry**
  With rising Mexican standards of living, imports of specialty food items will increase. Ontario is well-positioned to benefit from the increasingly affluent Mexican demand for packaged foods. Companies such as Dare Foods and Ault Foods are already exporting to Mexico. They and other such companies can expect continued growth in this particular sector. Mexico's markets for pork and frozen corn will expand.

NAFTA AND QUEBEC

WHAT'S IN THE AGREEMENT FOR THE QUEBEC ECONOMY

- Immediate elimination of Mexican tariffs on key Quebec exports such as some newsprint, some coated and uncoated paper, chemical pulp, softwood lumber for construction, aircraft, urban rail equipment, medical products and a variety of industrial equipment.
- Clear and more precise rules of origin, particularly in calculating North American content for autos and auto parts.
- Canada-U.S. Auto Pact remains intact.
- Extension for two years on duty drawback beyond the FTA expiry 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.
- On telecommunications, immediate elimination of Mexican tariffs on all equipment except for central switching equipment and telephone sets, which will be phased out in five years. Future compatibility of standards, improved rules of origin and the opening of the Mexican market for enhanced telecommunications services.
- The inclusion of land transportation (trucking) and specialty air services such as aerial mapping and surveying.
- Increases in the apparel and textile quotas, giving preferential access to the U.S. market for Canadian goods that do not meet the new rules of origin.
- Ten-year tariff phase-out for apparel, most leather products and shoe imports from Mexico; eight years for textiles.
- Strong commitments to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment. Export opportunities for Quebec environmental equipment and services.
- Comprehensive provisions on intellectual property, including pharmaceuticals, in line with the recent extension of patent protection in Canada and consistent with General Agreement on Tariffs and Trade (GATT) proposals.
- Improved access for financial institutions in the developing Mexican market.
- Improved access to the developing Mexican market for professional services, including management, engineering, accounting, computer and legal services, and trucking.
- Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Import quotas on supply managed egg, poultry and dairy sectors maintained.
- Improved access to Mexico for agricultural products including pork and processed food products.
- Safeguards established to moderate sudden import surges of most sensitive fruits and vegetables.
- Immediate elimination on tariffs for maple syrup.
- Clearer rules for repairs of U.S. vessels in Canadian shipyards.
- Better access to government procurement contracts for a range of industrial and high technology goods; telecommunications equipment and computers; and professional services, including consulting engineering. For the first time, Canadian suppliers of telecom equipment, power distribution and electrical equipment will have access to previously excluded contracts under the Rural Electrification Act. Procurement at the provincial and municipal levels is unaffected by NAFTA.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

QUEBEC - EXPORT SECTORS TO WORLD MARKETS

Wood and paper, primary metals, electrical and electronics products, transportation equipment, mining products, chemicals, food products and non-electrical machinery, consulting engineering, computer services, financial services and enhanced telecommunications services.

POTENTIAL QUEBEC EXPORT INTERESTS IN MEXICO

Lumber, plywood, veneer, pulp, paper, iron ore, aluminum, gold, pharmaceuticals, cars, automotive parts, buses and trucks, subway and railway cars and parts, textiles, synthetic rubber, pork, maple syrup, mining, construction and agricultural equipment, poultry incubators, aluminum hydroxide, ethanediol, diethylene glycol, concrete pumps, centrifuges, alcoholic beverages and printed circuits.

NAFTA OPPORTUNITIES FOR QUEBEC

- **Forestry Products**

The pulp and paper industry is Quebec's largest exporter. There is an expected increase of 50% in Mexican demand for pulp over the next 10 years. With the early phase-out of duties for some pulp and some paper products, opportunities will likely result from the NAFTA for specialty papers and newsprint. With the gradual elimination of tariffs, other paper products, such as sanitary papers, will increase their market share.

- **Transportation Equipment and Services**

Tariff reduction in this area will lead to increased opportunities for the rail and urban transportation and the aircraft and aircraft parts manufacturers in this province. Bell Helicopter has already made inroads into the market through the sale of helicopters to the Mexican government. Bombardier has established an office in Mexico. There will be greater freedom to provide trucking services to Mexico, and agreement between Mexico and Canada to maintain their relatively open international maritime shipping services.

- **Agriculture/Food Products Industry**

With a rising Mexican standard of living, imports of specialty food items will increase. Quebec is well-positioned to benefit from the increasingly affluent Mexican demand for packaged foods. Mexican markets will be open to increased Canadian exports such as pork and processed foods. This will be of benefit to the Quebec industry.

- **Textiles and Apparel**

Mexico currently imports $1.4-billion worth of products in this area. The NAFTA will provide improved access to the U.S. through larger quotas for apparel and textile products not meeting the rules of origin. Extension of duty drawback will reduce input costs for Quebec textile and apparel manufacturers.

- **Telecommunications Industry**

The expected increase in Mexican demand in this area will provide opportunities for Quebec companies. The Mexican market for telecommunications products is expected to grow by 42% by the year 2000. Spar has already obtained contracts with PEMEX as well as other Mexican companies, predominantly in the areas of private satellite networks. The opening of the Mexican market for enhanced telecommunications services will also provide expanded opportunity for Quebec-based computer services firms.

NAFTA AND NEW BRUNSWICK

WHAT'S IN THE AGREEMENT FOR THE NEW BRUNSWICK ECONOMY

- Immediate elimination of Mexican tariffs on fish and shellfish, including Atlantic salmon, crab, and some dried and smoked fish.
- Five-year Mexican tariff phase-out for lobsters, scallops, mussels, oysters and prepared and processed fish.
- Elimination of the Mexican import licence on lobster.
- Early elimination of Mexican tariffs on some newsprint, veneer, maple lumber and pulp.
- Immediate elimination of Mexican tariffs on a wide variety of industrial/electrical machinery and equipment.
- Immediate elimination of Mexican tariffs on key metals.
- Import quotas maintained for supply managed egg, poultry and dairy sectors.
- Removal of Mexican tariffs and import licences for food and agricultural products, such as table potatoes, potato products and other processed foods.
- Clearer rules for repairs of U.S. vessels in Canadian shipyards.
- The inclusion of land transportation (trucking) and specialty air services such as aerial mapping and surveying.
- Improved access to the developing Mexican market for professional services, including management, engineering, accounting and legal services.
- Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Strong commitment to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment.
- Better access to government procurement contracts for suppliers of goods, services and construction such as building materials and professional services. Procurement at the provincial and municipal levels is unaffected by NAFTA.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

NEW BRUNSWICK - EXPORT SECTORS TO WORLD MARKETS

Wood, paper, coal and mining products, agricultural and food products, fish, beverages and consulting services.

POTENTIAL NEW BRUNSWICK EXPORT INTERESTS IN MEXICO

Lumber, pulp, paper, potatoes, milk powder, pork, beef, honey, peas, lobster, crab, beer, potable water, copper, Atlantic salmon, herring, cod, scallops and haddock.

NAFTA OPPORTUNITIES FOR NEW BRUNSWICK

- **Forestry Products**
  It is expected that the Mexican demand for pulp will grow by about 50% over the next 10 years. At the same time, Mexico's duties on wood and pulp and paper products are being eliminated. The pulp and paper industry, New Brunswick's top exporting industry, will be able to benefit from this increase and take advantage of new market opportunities.

- **Food Products Industry**
  With a rising Mexican standard of living, imports of specialty food items is expected to increase. New Brunswick's McCain Foods has successfully developed a Mexican market for some of its packaged foods and frozen french fries, and they and other such companies can expect continued growth in this particular sector.

- **Fisheries Products**
  The Mexican market for fish and shellfish products is expected to increase at an average annual rate of 3.5%, to reach $1.4 billion by 1994. In addition, early elimination of Mexican tariffs for most fish, including lobsters and other shellfish, as well as dried, prepared and smoked fish, will open doors for New Brunswick exports of these products. The elimination of the import licence for lobster, which was the major barrier to access the Mexican market, will also be beneficial to New Brunswick.

- **Non-Ferrous Metals**
  Elimination of Mexico's duties on copper, lead, zinc and potash will make New Brunswick companies in this industry more competitive in Mexico. It is estimated that the market of Mexican import of ferrous, non-ferrous and fabricated materials will grow as much as 14% per year over the next five years. In 1990, this market was worth over $2 billion.

NAFTA AND NOVA SCOTIA

WHAT'S IN THE AGREEMENT FOR THE NOVA SCOTIA ECONOMY

- Immediate elimination of Mexican tariffs on fish and shellfish, including Atlantic salmon, crab, hake, haddock, and dried and smoked fish.
- Five-year Mexican tariff phase-out for lobster, scallops, mussels and oysters, and prepared and processed fish.
- Elimination of the Mexican import licence for lobster.
- Immediate elimination of Mexican tariffs on coal, railway rolling stock and parts, and a variety of industrial machinery and equipment -- all export interests for Nova Scotia.
- Import quotas maintained for supply managed egg, poultry and dairy sectors.
- Improved access to Mexico for apples, blueberries and processed food.
- Improved rules of origin for many types of electronic and electrical products.
- Clearer rules for ship repairs of U.S. vessels in Canadian shipyards.
- Increases in the apparel and textiles quotas, giving preferential access to the U.S. market for Canadian goods that do not meet the new rules of origin.
- Ten-year tariff phase-out for apparel imports from Mexico; eight years for textiles.
- Strong commitment to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment.
- Improved access to the developing Mexican market for professional services, including management, engineering, accounting and legal services.
- Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying products and equipment.
- Better access to government procurement contracts for suppliers of goods and industrial equipment, services and construction. Provincial and municipal procurement is not included in the NAFTA.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

NOVA SCOTIA - EXPORT SECTORS TO WORLD MARKETS

Food products, paper, fish, mining products, coal, primary metal products, transportation equipment and consulting services.

POTENTIAL NOVA SCOTIA EXPORT INTERESTS IN MEXICO

Honey, lobster, salmon, scallops, haddock, crab, coal, railway cars and parts, and steel rails.

NAFTA OPPORTUNITIES FOR NOVA SCOTIA

- **Fisheries Products**
  The Mexican market for fish and shellfish products is expected to increase at an average annual rate of 3.5%, to reach $1.4 billion by 1994. In addition, the early removal of Mexican tariffs for fish, including lobsters and other shellfish, as well as dried, prepared and smoked fish, will open doors for Nova Scotia exports of these products. The elimination of the import licence for lobster, which was the major barrier to accessing the Mexican market, will also be beneficial to Nova Scotia.

- **Railway Equipment and Steel Rails**
  Mexico City alone is planning a $180-million upgrade to its subway system. Increased liberalization in this area will provide opportunities for Nova Scotia companies such as Trenton Works and Sydney Steel. Sydney Steel is already providing steel rails for the Mexican market. (At certain times this company has provided as much as 80% of Mexico's needs.)

- **Ferrous and Non-ferrous Metals**
  Mexico's overall imports in this sector amount to almost $2 billion a year. This is expected to increase by as much as 14% a year over the next five years. Tariffs on coal, the province's current top export, will be eliminated immediately with increased opportunities for Nova Scotia exports.

- **Forestry Industry**
  Early elimination of tariffs on some wood and pulp and paper products will make Nova Scotia's forest products industry more competitive in Mexico. It is estimated that the Mexican demand for pulp will grow by about 50% over the next 10 years.

- **Food Products**
  Mexican agri-food imports expected to grow by 30%-40% per year. With Mexico's rising standard of living, imports of both commodity and specialty food items are expected to increase. Provides new export opportunities for Nova Scotia agricultural producers and processors.

NAFTA AND PRINCE EDWARD ISLAND (P.E.I.)

WHAT'S IN THE AGREEMENT FOR THE P.E.I. ECONOMY

- Five-year phase-out of Mexican tariffs on lobsters, mussels, oysters, scallops, and prepared and processed fish.
- Immediate elimination of tariffs on most other fish and shellfish, including salmon, eels, hake, dried and smoked fish.
- Elimination of the Mexican import licence for lobster.
- Improved access for processed foods -- an export interest for P.E.I.
- Improved access to the Mexican market for table potatoes and potato products.
- Removal of the Mexican import licence for tobacco, elimination of duties within 10 years.
- Canadian import quotas maintained for supply managed egg, poultry and dairy sectors.
- Immediate elimination of tariffs on parts for agricultural equipment into Mexico.
- Strong commitment to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment.
- Improved access to the developing Mexican market for professional services. Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

P.E.I. - EXPORT SECTORS TO WORLD MARKETS

Food, agricultural products and fish.

POTENTIAL P.E.I. EXPORT INTERESTS IN MEXICO

Lobster, hake, scallops, haddock, crab, potatoes, breeding and dairy cattle, agricultural equipment parts, milk powder and tobacco.

NAFTA OPPORTUNITIES FOR P.E.I.

- **Agriculture**

  Mexican imports of agri-food products expected to increase by 30%-40% per year. Removal of Mexican tariffs and import licences on products such as table potatoes, potato products, and other processed foods are expected to increase opportunities in Mexico.

- **Fisheries Products**

  The Mexican market for fish and shellfish products is expected to increase at an average annual rate of 3.5%, to reach $1.4 billion by 1994. In addition, the early removal of Mexican tariffs for fish, including lobsters and other shellfish, as well as dried, prepared and smoked fish, will open doors for P.E.I. exports of these products. The elimination of the import licence for lobster, which was the major barrier to access the Mexican market, will also be beneficial to P.E.I.

- **Chemicals and Pharmaceuticals**

  The Mexican market in this sector is expected to grow by as much as 30% over the next five years. A number of island companies will be able to benefit as a result.

NAFTA AND NEWFOUNDLAND

WHAT'S IN THE AGREEMENT FOR THE NEWFOUNDLAND ECONOMY

- Improved access to the Mexican market for iron ore and harvesting and processing technologies for seafood and peat moss -- all Newfoundland export interests.
- Immediate elimination of Mexican tariffs on hake, salmon, herring, mackerel, haddock, dried and smoked fish. Tariffs on other fish, processed fish as well as lobsters, scallops and halibut, will be phased out over five years, except for tariffs on frozen fish fillets, which will be phased out over 10 years.
- Elimination of the Mexican import licence for lobsters and improved procedures for processing the importation of fish at the Mexican border.
- Canadian import quotas maintained for supply managed egg, poultry and dairy sectors.
- Immediate elimination of Mexican tariffs on some pulp and paper products, including chemical pulp and some newsprint.
- As in the Canada-U.S. Free Trade Agreement (FTA), provinces will retain restrictions on the export of unprocessed fish.
- Opening of the Mexican and U.S. market to specialty air services.
- Improved access to the developing Mexican market for professional services. Provincially regulated professions encouraged but not forced to recognize credentials from other NAFTA countries.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Strong commitment to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

NEWFOUNDLAND - EXPORT SECTORS TO WORLD MARKETS

Wood and paper, fish products, mining products.

POTENTIAL NEWFOUNDLAND EXPORT INTERESTS IN MEXICO

Paper, salmon, herring, hake, lobster, scallops and haddock.

NAFTA OPPORTUNITIES FOR NEWFOUNDLAND

- **Forestry Products**

  It is expected that the Mexican demand for pulp will grow by about 50% over the next 10 years. The pulp and paper industry, Newfoundland's top exporting industry, will be able to benefit from this increase and take advantage of new market opportunities.

- **Fisheries Products**

  The Mexican market for fish and shellfish products is expected to increase at an average annual rate of 3.5%, to reach $1.4 billion by 1994. Increased liberalization of Mexican markets affecting this industry will eventually result in opportunities for Newfoundland and its fisheries.

NAFTA AND YUKON AND THE NORTHWEST TERRITORIES

WHAT'S IN THE AGREEMENT FOR THE YUKON AND THE NORTHWEST TERRITORIES ECONOMIES

- Immediate elimination of Mexican tariffs on dried and smoked fish.
- Immediate elimination of Mexico's duties on zinc, most ores, gold and copper.
- Immediate elimination of Mexican tariffs on furs, an export interest for Yukon and Northwest Territories.
- Opening of the Mexican and United States markets for specialty air services.
- Strong commitment to sustainable development, environmental protection and conservation. Recognition that NAFTA countries should not lower environmental standards to attract investment.
- Rules to ease the temporary entry of business people and duty exemption for their accompanying tools and equipment.
- Dispute settlement procedures have been strengthened and improved, including institutional provisions to limit the possibility of unilateral actions.

YUKON AND THE NORTHWEST TERRITORIES - POTENTIAL EXPORT INTERESTS IN MEXICO

Ferrous and non-ferrous metals, fish products, furs and fur products, Native art products and specialty air services.