



## ERRATUM

Press Release No. 43 entitled GOVERNMENT INTRODUCES BILL TO IMPLEMENT NORTH AMERICAN FREE TRADE AGREEMENT contains an error in the accompanying Backgrounder. Paragraph one of Part 1 - General Implementation should read as follows:

- Part I approves the NAFTA. It also requires that any federal law implementing the Agreement be interpreted in a manner consistent with the Agreement.

Le document d'information accompagnant le communiqué n° 43 intitulé «Le gouvernement dépose le projet de loi de mise en oeuvre de l'Accord de libre-échange nord-américain (ALENA)» contient une erreur. Le premier paragraphe de la Partie I - Mise en oeuvre générale devrait se lire comme suit :

- La Partie I approuve l'ALENA. Elle exige aussi que toute loi fédérale mettant l'Accord en oeuvre soit interprétée d'une manière conforme à l'Accord.



## News Release

## Communiqué

No. 43

February 25, 1993

### GOVERNMENT INTRODUCES BILL TO IMPLEMENT NORTH AMERICAN FREE TRADE AGREEMENT

The Honourable Michael Wilson, Minister of Industry, Science and Technology and Minister for International Trade, introduced a Bill in Parliament today to implement the North American Free Trade Agreement (NAFTA).

"The Government is introducing the Bill now to permit a thorough examination and debate on the provisions of the Agreement," Minister Wilson said. "We are confident that informed and serious consideration by Parliament will confirm this Agreement's rightful place as part of Canada's economic strategy."

The introduction of the Bill follows extensive public hearings across Canada on the NAFTA conducted by a subcommittee of the Standing Committee on External Affairs and International Trade.

The omnibus Bill amends 29 statutes, in many cases extending the provisions of the Canada-U.S. Free Trade Agreement (FTA) to include Mexico.

All three governments have committed themselves to pass the necessary legislation to bring the NAFTA into force on January 1, 1994, and, to that end, have started their domestic approval processes. Mexico has sent the Agreement to its Senate. The U.S. approval process started on September 18, 1992 with the Administration's 90-day notification of the Agreement to Congress. Discussions are now proceeding with the U.S. Congress on implementation.

"The NAFTA Implementation Act is the culmination of 14 months of negotiations and six months of careful drafting of the text and legislation. The NAFTA will open up economic opportunities for Canadians for many years to come," the Minister said.

The NAFTA creates a dynamic market of 360 million people producing \$7 trillion in goods and services. Canada will occupy a favoured position for investment to serve all of North America.

Mr. Wilson noted that in mid-March, the three countries will continue additional discussions on the environment and labour. Discussions on these issues have been under way, either bilaterally or among the three countries, almost since the beginning of the NAFTA negotiations. All three governments have agreed that additional labour and environmental accords can be negotiated separately, without reopening the NAFTA.

A number of trade-related environmental measures were included in the NAFTA. In addition, Canada, the United States and Mexico agreed on August 12, 1992, the date the NAFTA negotiations were concluded, that environment ministers would meet to consider the establishment of a North American Commission on the Environment. In September they agreed in principle to its formation, and talks have been under way since.

"Throughout the negotiating period, Canada put forward a number of proposals to strengthen co-operation in the environmental and labour fields," the Minister said. "We will continue to press for meaningful agreements in these areas in consultations with the environment, business and labour communities."

The Minister emphasized that the NAFTA is only one component of the Government's trade agenda. As its top priority, the Government continues to press for a successful conclusion to the Uruguay Round of Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade.

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## BACKGROUNDER

### THE NORTH AMERICAN FREE TRADE AGREEMENT IMPLEMENTATION ACT

- The Act gives effect in domestic law to the North American Free Trade Agreement (NAFTA), which was signed on December 17, 1992.
- The Act is in three parts and covers all legislative changes required to implement the Agreement.

#### **Part I - General Implementation**

- Part I approves the NAFTA. It also requires that any federal law implementing the Agreement be interpreted in a manner consistent with the Agreement.
- The Act sets out Parliament's right to enact further legislation, if necessary, to implement any provision of the NAFTA, or to fulfil any of Canada's obligations under it.
- Part I also provides for the appointment of the Canadian representative on the new trilateral Free Trade Commission established under Chapter 20 of the Agreement. The functions of the Commission include supervising the implementation of the NAFTA, resolving disputes about its interpretation and application, and overseeing its future elaboration. A Secretariat to serve the Commission will have offices in all three countries.

#### **Part II - Related and Consequential Amendments**

- Virtually all provisions of the Canada-U.S. Free Trade Agreement (FTA) are either incorporated in and made a part of the NAFTA, or subsumed in relevant NAFTA provisions.
- The Bill suspends the necessary provisions of the FTA Implementation Act for as long as Canada and the U.S. are parties to the NAFTA. Those FTA provisions not brought into the NAFTA remain in force. This will ensure orderly management of bilateral trade relations between Canada and the United States.

- Amendments to 29 existing statutes bring them into conformity with the NAFTA. This list is similar to the list of laws changed by the legislation to implement the FTA.
  1. Bank Act
  2. Canada Mortgage and Housing Corporation Act
  3. Canada Post Corporation Act
  4. Canadian International Trade Tribunal Act
  5. Canadian Wheat Board Act
  6. Commercial Arbitration Act
  7. Co-operative Credit Associations Act
  8. Copyright Act
  9. Customs Act
  10. Customs Tariff
  11. Export and Import Permits Act
  12. Fertilizers Act
  13. Financial Administration Act
  14. Food and Drugs Act
  15. Importation of Intoxicating Liquors Act
  16. Industrial Design Act
  17. Insurance Companies Act
  18. Investment Canada Act
  19. Investment Companies Act
  20. Canada Land Surveys Act
  21. Meat Import Act
  22. Meat Inspection Act
  23. National Energy Board Act
  24. Patent Act
  25. Pest Control Products Act
  26. Special Import Measures Act
  27. Standards Council of Canada Act
  28. Trademarks Act
  29. Trust and Loan Companies Act

### Part III - Coming into Force

- Part III ensures that the Act will be brought into force on a day or days to be fixed by Order of the Governor in Council.

- Part III contains a provision that the Bill, once enacted, will not be brought into force unless the Governor in Council is satisfied that the United States and Mexico have taken satisfactory steps to implement the Agreement.

### NAFTA APPROVAL PROCESS

#### **Formal signature of the NAFTA**

The North American Free Trade Agreement was signed by Prime Minister Brian Mulroney and the Presidents of the United States and Mexico on December 17, 1992.

#### **The process in Canada**

##### Parliamentary Process

The Government presented the necessary implementing legislation to Parliament on Thursday, February 25, 1993, and it received First Reading in the House of Commons.

The Second Reading allows for substantive debate of the principle and object of the Bill. If the Bill is adopted at Second Reading, it is then referred to a legislative committee for clause-by-clause study.

On Third Reading, the House considers any proposed amendments to the Bill. The House then votes on the legislation. Once the Bill is passed by the House of Commons, it is sent to the Senate for consideration. If the Bill is passed by the Senate without amendment, it is deemed ready for Royal Assent. If the Bill is amended, it is returned to the House of Commons, where it must again be debated and voted on.

Once the Bill is approved and proclaimed in force, Canada will be in a position to exchange letters of ratification with the U.S. and Mexico. Ratification of the NAFTA, which is part of the treaty-making process, is an executive act accomplished by an Order-in-Council.

### Standing Committee on External Affairs and International Trade

In November 1992, a subcommittee of the House of Commons Standing Committee on External Affairs and International Trade began public hearings into the NAFTA. This subcommittee conducted public hearings across Canada. A large number of witnesses, including labour unions and business associations, appeared before the subcommittee. The subcommittee is expected to issue its report shortly.

### Canadian Environmental Review

In October 1992, the Government made public the Canadian Environmental Review of the NAFTA prepared by an interdepartmental committee. The review was conducted in accordance with government policy requiring environmental assessments of policy initiatives. The NAFTA is the first major government policy initiative -- and the first trade agreement -- ever to undergo such an environmental review.

According to the review, it is unlikely the NAFTA will have a significant impact on the environment in Canada. The review also concluded there is likely to be minimal, or no, relocation of Canadian industry owing to projected differences in pollution abatement costs.

### An Economic Assessment

The Department of Finance published a report on the NAFTA, entitled: "An Economic Assessment from a Canadian Perspective," in November 1992. This assessment concluded that:

- Canada's reason for joining the NAFTA is simple and straightforward: to maintain and enhance Canadians' living standards;
- The NAFTA represents a natural extension of the FTA. Canada safeguarded and improved gains made in the FTA;
- Most importantly, since Canada's main competition with Mexico is and will be in the U.S. market, the NAFTA assures that we will be competing on equal footing, subject to the same rules;
- Canada can compete with Mexico better inside the NAFTA than outside;

- Canada has a comparative advantage in the production of capital-intensive goods and should gain further benefit from Mexico's huge need to import capital goods in building its capital stock;
- The NAFTA, in addition to ensuring Canada's access to both the U.S. and Mexican markets, maintains Canada's attractiveness as a place to invest; and,
- Without Canada's participation, the United States would have been the only country with duty-free access to all North American markets. This would have been a very negative development for Canada's future competitiveness, and attractiveness for foreign direct investment.

### **The process in the United States**

In the U.S., the approval process started many months ago with the Administration's 90-day notification of the Agreement to Congress on September 18, 1992. The new Administration is now continuing the necessary discussions on implementation with the U.S. Congress.

The Administration may submit the implementing legislation to Congress at any time. The new Administration is committed to introducing this legislation, and is already engaged in extensive consultations with Congress concerning the legislation. Together with Canada and Mexico, the Administration will address environmental and labour concerns.

Once the NAFTA implementing legislation is introduced, the House of Representatives and the Senate will consider it on a "fast track" basis. The fast track process obliges Congress to review trade agreements within a specified time, then either assent to or reject them in their entirety without amendment.

Introduction of the implementing package triggers a 90-day timetable for completion. During this stage, the legislation is referred to the Committees of Jurisdiction in both Houses. House Committees can take up to 45 legislative days on the legislation, and Senate Committees can spend up to 15 days. The House and the Senate then each have 15 days to consider it.

Once the legislation is received from the Committees, it will be debated for up to 20 hours in each House and will be voted either "up" or "down" without amendment. Once approved by both Houses, the implementing legislation will be signed by the President.

### **The process in Mexico**

Mexican approval and implementation of the NAFTA will be undertaken both by formal Senate ratification of the Agreement, and by passage in Congress (the Senate and the Chamber of Deputies) of the necessary amendments to domestic law. The Mexican Congress is in ordinary session from April 15 through July 15, 1993.

President Salinas sent the NAFTA to the Senate on December 18, 1992. Under the January 2, 1992 Law of Treaties, treaties submitted for ratification by two-thirds of the Senate must be turned over to a committee, which then analyzes them and makes recommendations to the full Senate. Even before the signing of the NAFTA on December 17, 1992, President Salinas had begun the process of consultations with both the Senate and the Chamber of Deputies through formal testimony and informal briefings.

Once ratified, the NAFTA will have the force of domestic law. In addition, President Salinas has announced his intention to proceed with amending legislation to several statutes, requiring the approval of both chambers. The Executive Branch has announced officially its intent to amend more than 30 domestic laws through ordinary legislation.

### AGREEMENTS ON LABOUR AND THE ENVIRONMENT

Canada, the United States and Mexico have pursued discussions on environment and labour matters almost from the moment negotiations on the NAFTA got under way in June 1991. The Government of Canada made proposals in the NAFTA negotiations to strengthen the treatment of environmental and labour matters.

Canada is prepared to work closely with the United States and Mexico in reaching additional agreements on the environment and labour at talks resuming in mid-March. Our objective is to establish a firm foundation for close and continuing co-operation in these fields.

#### **Co-operation on environmental issues**

For the first time, and directly as a result of the NAFTA, the three countries will work together to improve the continental environment -- a process of ongoing trilateral co-operation launched in Washington last September by the environment ministers from Canada, the United States and Mexico.

Canada, the U.S. and Mexico agreed to the creation of a North American Commission on the Environment. The additional negotiations that will resume in mid-March will further define the nature and scope of continental co-operation on the environment.

On March 16, 1990, Canada and Mexico signed an Agreement on Environmental Co-operation. Under the aegis of this broad agreement, Canada has begun to work with Mexico in the areas of waste management and water treatment. In March 1992, the Government announced a \$1-million program to help Mexico improve its environmental monitoring and enforcement practices. To date, Canada has provided more than \$1.9 million in funding for a series of environmental projects in Mexico.

Last September, Canada, the U.S. and Mexico also signed a Memorandum of Understanding on Environmental Education. This will serve as a framework for promoting, co-ordinating and implementing joint environmental education and training activities and information exchanges.

Scientific exchanges and joint ventures to conserve and maintain the habitat of shared species -- such as snow geese and monarch butterflies -- have also been the basis of an important partnership.

#### **Co-operation on labour issues**

The NAFTA Preamble affirms the resolve of the NAFTA countries to protect, enhance and enforce workers' rights and to improve working conditions in each of the NAFTA countries.

At the outset of the NAFTA negotiations in June 1991, all three countries agreed that labour issues should be explored in parallel discussions.

In May 1992, Canadian Labour Minister Marcel Danis signed the Canada-Mexico Memorandum of Understanding (MOU) on Co-operation Labour Activities, which provides a framework for co-operation between the two countries on a wide range of labour markets. The United States and Mexico had concluded a similar MOU in May 1991.

While the bilateral MOUs are contributing to our level of understanding and creating closer co-operation, Canada's position remains that more could be done by expanding our co-operative actions on a trilateral basis.