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NORTH AMERICAN FREE TRADE AGREEMENT

THE NAFTA PARTNERSHIP

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NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

-- CHRONOLOGY --

1990

January 22-23

Ottawa -- Seventh meeting of Canada-Mexico Joint Ministerial Committee.

March 16-19

During an official visit to Mexico by Prime Minister Brian Mulroney, 10 joint co-operation agreements with Mexico are signed:

- Memorandum of Understanding regarding the framework for trade and investment consultations;
- Memorandum of Understanding on co-operation in combating narcotics trafficking and drug dependency;
- Treaty on mutual legal assistance in criminal matters;
- Treaty on extradition;
- Agreement regarding mutual assistance and co-operation between customs administrations;
- Memorandum of Understanding on forestry co-operation;
- Agreement on tourism;
- Agreement on environmental co-operation;
- Arrangement on agricultural and livestock co-operation; and
- Convention for the exchange of information/taxes.

Summer

Canadian government conducts preliminary studies and consultations with the provinces and representatives of business and labour groups.

House of Commons Standing Committee on External Affairs and International Trade conducts public hearings on the proposed NAFTA.

September 24

Prime Minister Brian Mulroney formally advises President Carlos Salinas de Gortari and President George Bush of Canada's interest in participating in negotiations with Mexico and the United States on NAFTA.

September 1990 to
January 1991

During the consultative period prior to the start of negotiations, nine working groups are established to deal with the following topics:

- . Rules of origin
- . Tariffs
- . Automobiles
- . Petrochemicals
- . Technical barriers to trade
- . Insurance
- . Financial services
- . Transportation
- . Agriculture

December 14-18

Washington, D.C. -- Ministerial meeting with International Trade Minister John Crosbie, United States Trade Representative Carla Hills and Mexican Secretary of Commerce Jaime Serra Puche.

1991

January 21

Acapulco, Mexico -- Ministerial meeting (same participants as December Ministerial meeting).

February 5

Prime Minister Brian Mulroney, President Carlos Salinas de Gortari and President George Bush announce their decision to pursue NAFTA. It is envisaged that this agreement will:

- progressively eliminate obstacles to the flow of goods, services and investment;
- provide intellectual property rights protection; and
- establish a fair and expeditious dispute settlement mechanism.

April 7-10

During a state visit to Canada by Mexican President Carlos Salinas de Gortari, four joint co-operation agreements are signed:

- Canada-Mexico Double Taxation Agreement -- the first such agreement that Mexico has signed with another country;
- Film and Television Co-production Agreement -- to

broaden financing and production opportunities for the film and television industries of both countries;

- Export Development Corporation/Petroleos Mexicanos Memorandum of Understanding -- for a US\$500 million line of credit to promote the sale of Canadian goods and services to PEMEX; and
- Export Development Corporation/Secretariat of Finance Memorandum of Understanding.

May 23

Washington, D.C. -- The House of Representatives endorses (231 votes to 192) the extension of the fast-track for submission by the President of the United States of trade agreements to Congress.

The House also approves (329 votes to 85) a "sense of the House" resolution, which calls on the U.S.

Administration to comply with several recommendations, including wide consultations with Congress and the private sector and the development of a joint border environmental program.

May 24

Washington, D.C. -- The Senate votes (59 to 36) to give the U.S. Administration the authority to extend fast-track implementing legislation for a two-year period beginning June 1, 1991.

June 12

Toronto, Ontario -- Ministerial meeting to launch the NAFTA negotiations: Industry and International Trade Minister Michael Wilson (Canada), Trade Representative Carla Hills (United States) and Secretary of Commerce Jaime Serra Puche (Mexico).

July 8-9

Washington, D.C. -- First meeting of Chief Negotiators -- John Weekes (Canada), Julius Katz (United States) and Herminio Blanco (Mexico).

August 6-7

Cocoyoc, Mexico -- Second meeting of Chief Negotiators.

August 18-20

Seattle, Washington -- Second trilateral Ministerial meeting.

October 9-10

Ottawa, Ontario -- Third meeting of Chief Negotiators.

- October 25-28 Zacatecas, Mexico -- Third trilateral Ministerial meeting.
- November 25-26 Mexico City, Mexico -- Meeting of eighth Canada-Mexico Joint Ministerial Committee and Mexico-Canada Forum on Technological Co-operation.
- November 25 Mexico City, Mexico -- Two Canada-Mexico documents are signed:
- . Memorandum of Understanding on cultural relations,
 - . Agreement on museums and archaeological co-operation.
- December The exchange of drafting proposals on most NAFTA issues.
- 1992**
- January 6-10 Washington, D.C. -- First version of consolidated draft text prepared (meeting of most negotiating groups at Georgetown University).
- January 16-17 Washington, D.C. -- Fourth meeting of Chief Negotiators.
- January 27-31 Monterrey, Mexico -- "Canada Expo '92" trade fair, the largest Canadian trade promotion event ever organized in Latin America. Expo'92 was designed to expand Canadian sales and investment opportunities in Mexico. Over 200 Canadian companies participated.
- February 4-5 Aylmer, Quebec -- Fifth meeting of Chief Negotiators.
- February 9-10 Chantilly, Virginia -- Fourth trilateral Ministerial meeting.
- February 16-22 Dallas, Texas -- Sixth meeting of Chief Negotiators.
- March 4-5 Washington, D.C. -- Seventh meeting of Chief Negotiators.
- March 18 Canada provides Mexico with \$1 Million worth of Environmental Assistance.
- March 23-27 Washington, D.C. -- Eighth meeting of Chief Negotiators.

- April 4 Mexico City, Mexico -- Canada and Mexico sign Memorandum of Understanding on Co-operation in Telecommunications.
- April 6-8 Montreal, Quebec -- Fifth trilateral Ministerial meeting.
- April 27 Mexico City, Mexico -- Ninth meeting of Chief Negotiators.
- April 29-30 Mexican Secretary for External Relations, the Honourable Fernando Solana visits Montreal, Quebec City and Toronto.
- May 4 Mexico City, Mexico -- Canada and Mexico sign Memorandum of Understanding on Co-operative Labour Activities.
- May 8 Visit to Canada by Mexican private sector delegation, sponsored by the Canada-Mexico Chamber of Commerce.
- May 13-14 Toronto, Ontario -- Tenth meeting of Chief Negotiators.
- May 18-22 Washington, D.C. -- Eleventh meeting of Chief Negotiators.
- May 24-June 3 Delegation of 17 Canadian environmental technology companies visit the northern states of Mexico.
- May 30-June 5 Arlington, Virginia -- Twelfth meeting of Chief Negotiators.
- June 15-19 Washington, D.C. -- Thirteenth meeting of Chief Negotiators.
- July 6-10 Washington, D.C. -- Fourteenth meeting of Chief Negotiators.
- July 20-24 Washington, D.C. -- Fifteenth meeting of Chief Negotiators.

- July 25 Mexico City, Mexico -- Sixth trilateral Ministerial meeting.
- July 29-August 1 Washington, D.C. -- Sixteenth meeting of Chief Negotiators.
- August 2 Washington, D.C. -- Seventh trilateral Ministerial meeting.
- August 12 An agreement in principle is reached on a North American Free Trade Agreement.

August 1992

CANADA-MEXICO TRADE RELATIONS

Mexico is Canada's largest trading partner in Latin America. Canada-Mexico trade has increased significantly since the mid-1980s. Merchandise trade reached \$3 billion in 1991, and exports during the first five months of 1992 were up by over 100 per cent over the same period last year. Canadian exports to Mexico were valued at \$231.8 million between January and April of this year, up \$100 million.

Although exports fell to \$524.5 million in 1991 from \$600 million in 1990, the decline was due to reduced purchases by Mexican clients of agricultural and industrial commodities. However, sales of value-added manufactured products increased during that same period, particularly in sectors such as newsprint and paper products.

The prospect of enhanced economic relations with Mexico has increased since 1988 when the Mexican government initiated several radical measures to overcome a serious financial crisis. As a result of these measures, annual inflation in Mexico has dropped from 160 per cent to less than 19 per cent, trading rules have been greatly eased and many unprofitable enterprises have been either closed or privatized. These changes have been coupled with skillful negotiations with the international financial community to reduce the burden of debt repayments.

Canada-Mexico trade relations are governed by the General Agreement on Tariffs and Trade (GATT), to which Mexico acceded in 1986. Prior to 1986, Canada-Mexico trade had been governed by a 1946 Trade Agreement, a Joint Ministerial Committee established in 1968 and an Economic Co-operation Agreement in 1980.

During Prime Minister Brian Mulroney's visit to Mexico in March 1990, the relationship was further enhanced through bilateral agreements in such areas as customs administration, agriculture and livestock, forestry, environment, tourism and taxation. Since that time, eight additional bilateral agreements have been signed covering, among other areas, double taxation, energy, telecommunications and labour.

A North American Free Trade Agreement will further enhance this co-operation between Canada and Mexico, and increase trade and investment.

Canadian Participation in the Mexican Market

Canadian entrepreneurs have been quick to take advantage of this new environment. The Canadian Embassy in Mexico City received 4,450 visits from business representatives in the first six months of 1992, up from 193 in 1988 and 2,200 in 1991.

Canadian exporters have strengthened their presence in the U.S. market through the Free Trade Agreement (FTA). Privileged access to the Mexican market of over 85 million is an added benefit, particularly as Mexico's modernization and industrialization programs offer exciting new prospects for suppliers of capital equipment, technologically advanced components and parts, and high quality semi-manufactured industrial materials.

Successful Canadian Exporters

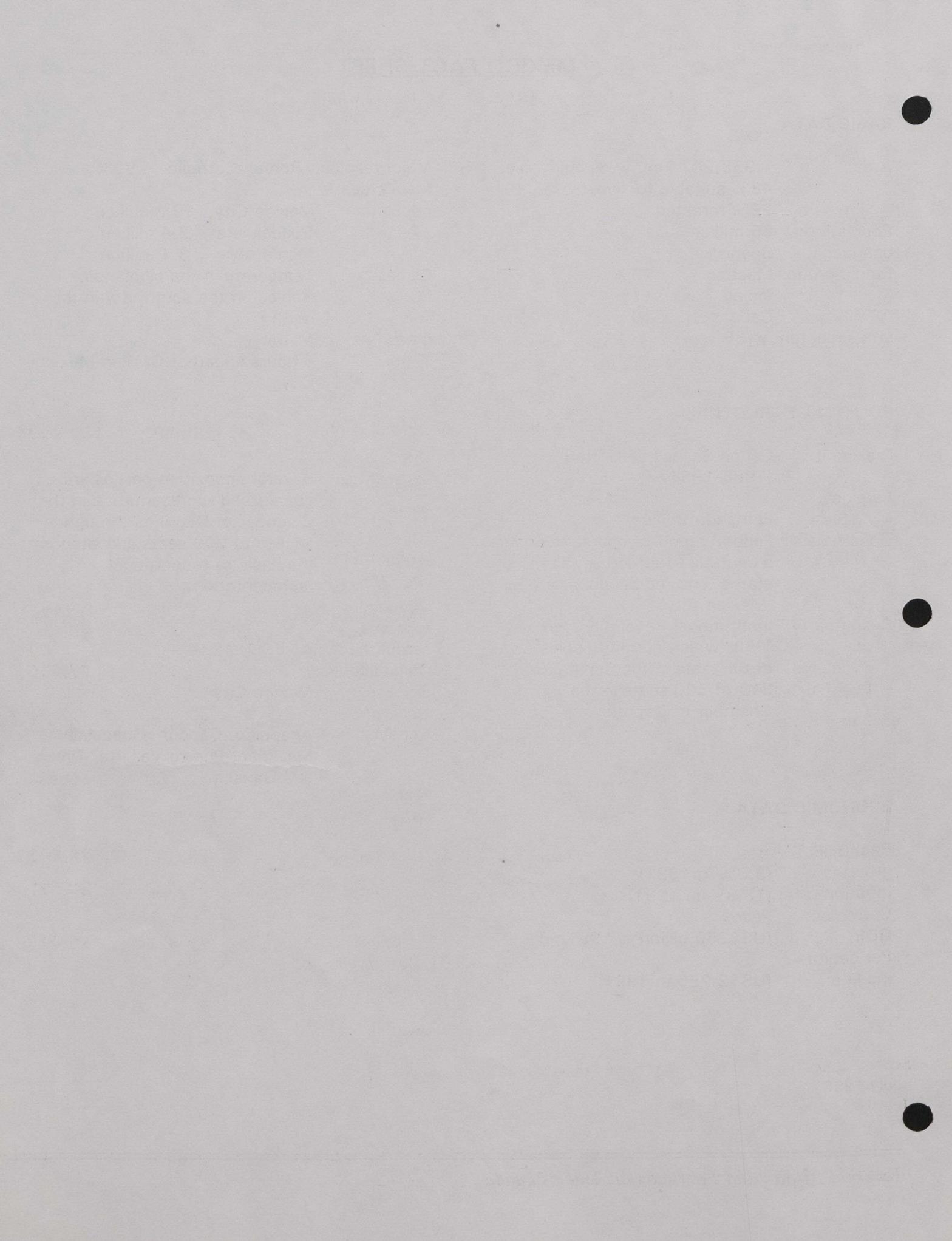
Many Canadian exporters already enjoy success in the Mexican market, and two-way trade should reach \$5 billion by the end of the decade. Canadian technology is welcome, relevant and competitive. For example, Northern Telecom Ltd. recently received a contract for cellular telephone central switching equipment to meet the needs of five of the eight concessionaires selected by the Mexican Department of Communications and Transport (SCT).

Canadian consultants last year completed a \$3.5-million contract to supply technology for spectrum management to the SCT. This contract includes the transfer of applied systems technology and will be followed by further sales expected to exceed \$15 million. ABB/Combustion Engineering has been awarded a \$40 million contract from the Comisión Federal de Electricidad to rebuild its boilers. In 1991, the Canadian Wheat Board sealed a transaction for \$23 million with Conasupo for the purchase of 167,000 tonnes of wheat. On January 24, Conasupo announced it would buy a further 248,000 tonnes of Canadian Western Red Spring wheat worth an estimated \$50 million. Most recently, Systemhouse signed a US\$500 million contract over 10 years to install and manage computer systems for the Mexican Department of Finance.

Canadian automotive component manufacturers are already shipping significant quantities of these products to assembly facilities in Northern Mexico. This trade could grow very rapidly as Mexican manufacturing capacity increases.

Canada supplies basic foodstuffs to Mexican consumers including wheat, oil seeds, beans and milk powder. There has been an important relationship established in recent years by Canada's producers of breeding stock. As the Mexican economy strengthens, there will be increased requirements for quality food products, in line with improved standards of living.

The Canadian steel industry supplies tinplate for the Mexican food industry and steel rail against World Bank tenders for the Mexican railway system. Canadian suppliers



are highly regarded in Mexico, and sales should increase rapidly as the economy achieves its growth potential.

By way of agreements with the Mexican banks (Bancomext, Banobras, Nafinsa, Serfin, Banamex, Atlantico, Comermex, Bancomer and International), the Export Development Corporation (EDC) in July 1991 arranged lines of credit valued at US\$170 million to finance purchases of Canadian goods and services. More than a dozen new transactions valued at over \$10 million were financed in 1991.

Two other lines of credit for US\$500 million and US\$30 million have been arranged with Petroleos Mexicanos (PEMEX) and the Comisión Federal de Electricidad. And Canadian telecommunications suppliers will now benefit from a US\$100 million line of credit established by the EDC with Telefonos de Mexico (Telmex).

Through its Industrial Co-operation Program, the Canadian International Development Agency (CIDA) has contributed \$1,964,557 to projects in Mexico during the past fiscal year.

Free movement of specialized technical personnel is a key area of future Canadian participation in Mexico. Canada is an active exporter of engineering, financial and other advisory services. Enhanced access for this expertise will see a rapid increase in Canadian participation in the Mexican market. Reprivatization of the banking sector will undoubtedly open additional opportunities to Canada.

Important Two-way Investment

In turn, Mexico is an important supplier to the Canadian market, with sales (according to Canadian statistics) of more than \$2.5 billion in 1991. Under Canada's General Preferential Tariff Scheme, Mexican manufacturers are important suppliers of automotive parts and engines. Almost 75 per cent of Canadian imports from Mexico already enter the country duty-free, under the Most Favoured Nation status and the Auto Pact. In some respects, therefore, Canadian consumers already enjoy duty-free access to Mexican products, and Mexican components are already being assembled by our automotive industry.

Improved access to the Mexican market will provide a distinct advantage to Canadian exporters, since our products, services and technology are competitive and essential in a modernizing Mexico. The Canadian business community is already attracted to the opportunities that are developing in Mexico -- a convenient and natural business partner.

August 1992

MEXICO FACT SHEET

BASIC DATA

Area: 1,958,201 km²: 19% cultivable;
48% suitable for livestock;
29% forested
Population: 85 million
Language: Spanish
Ethnic group: Mestizo 79%
Indian 11%
Caucasian 10%
Life expectancy: 66 years

Major religion: Roman Catholic 93%
Main cities &
population: Mexico City 19.3 million
Guadalajara 3.4 million
Monterrey 3.1 million
Climate: Temperate in the highlands;
tropical in the south; dry in the
north
Measures: Metric
Time: 6 hours ahead of GMT in Mexico
City

POLITICAL STRUCTURE

President: Carlos Salinas de Gortari
(1988-1994)
Foreign
Minister: Fernando Solana
Government: Federal republic, operating under
a centralized structure, 31
states, one federal district
(Mexico City)
Ruling party: Institutional Revolutionary Party
(PRI), which currently holds 61
of 64 seats in the Senate and
319 of 500 seats in the
Chamber of Deputies.

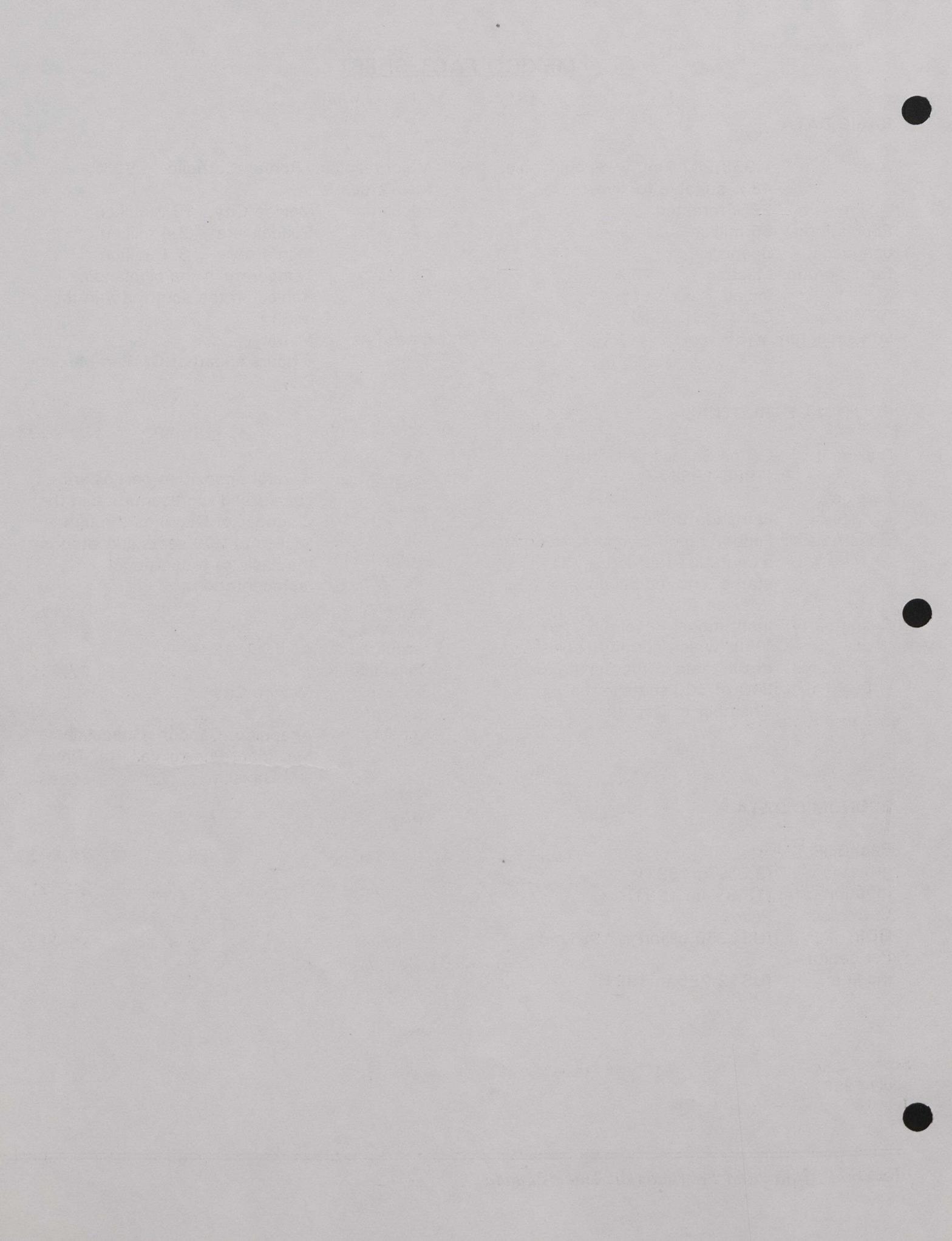
Opposition
parties: Several opposition parties are
guaranteed representation in the
Chamber of Deputies through
access to 200 seats allocated on
the basis of proportional
representation.

Diplomatic
relations
established: April 27, 1944
Canadian
Embassy: Mexico City
Honorary
Consuls: Acapulco, Cancún, Guadalajara,
Mazatlán, Puerto Vallarta, Tijuana
and Oaxaca

ECONOMIC DATA

Real GDP
growth: (3.5% in 1991)
Inflation rate: (18.8% in 1991)
Currency: Peso
GDP: (US\$250 billion in 1991)
Per capita
income: (US\$2,285 in 1991)

July 1992



CANADA-MEXICO EXPORT/IMPORT STATISTICS

	<u>JAN-DEC 1989</u> (C\$ millions)	<u>JAN-DEC 1990</u> (C\$ millions)	<u>JAN-DEC 1991</u> (C\$ millions)	<u>GROWTH</u> 91/90
EXPORTS	603,098	593,700	524,544	-12%
IMPORTS	1,698,368	1,729,848	2,573,972	49%
BALANCE	-1,095,270	-1,136,148	-2,049,428	--

<u>MAIN CANADIAN EXPORTS TO MEXICO</u> (C\$ millions)			<u>MAIN CANADIAN IMPORTS FROM MEXICO</u> (C\$ millions)		
	1990	1991		1990	1991
1. Motor Vehicle Parts	82,100	153,461	1. Motor Vehicles and Parts	564,002	1,439,259
2. Iron & Steel Products	67,700	46,281	2. Engines and Parts	389,379	339,989
3. Newsprint	15,900	34,489	3. Radio, Telephone, Audio Parts/Equipment	146,572	143,225
4. Wheat	8,400	25,038	4. Data Processing Machines and Parts	177,815	127,166
5. Telecoms, Related Equipment/Parts	51,400	23,048	5. Petroleum Oils	56,804	97,606
6. Paper Products	11,000	18,888	6. Fruits, Coffee and Nuts	68,485	76,008
7. Sulphur	28,800	18,868	7. Air Conditioners, Fans Equipment & Parts	32,030	58,334
8. Aircraft & Parts	39,100	18,583	8. Vegetables	79,306	48,546
9. Petroleum Oils	5,100	16,109	9. Carpets, Fabrics and Yarn	27,813	30,077
10. Asbestos	13,400	15,989	10. Kitchen Appliances, small	13,670	23,317

Source: Statistics Canada, Merchandise Trade Statistics

July 1992

CANADA-MEXICO EXPORT-IMPORT STATISTICS

	JAN-DEC 1989 (C\$ million)	JAN-DEC 1990 (C\$ million)	JAN-DEC 1991 (C\$ million)	GROWTH %1991
EXPORTS	603 098	585 700	621 841	-1.5%
IMPORTS	1 595 388	1 729 948	1 872 843	8.6%
BALANCE	-1 092 270	-1 144 248	-1 250 992	

	MAIN CANADIAN EXPORTS TO MEXICO (C\$ million)		MAIN CANADIAN IMPORTS FROM MEXICO (C\$ million)	
	1990	1991	1990	1991
1 Motor Vehicle Parts	92 100	123 461	584 002	1 438 289
2 Iron & Steel Products	67 700	48 287	288 379	323 989
3 Newspaper	12 900	44 489	148 212	144 221
4 Wheat	8 400	28 038	177 812	121 186
5 Tractors, Related Equipment	81 400	23 048	28 804	27 508
6 Paper Products	11 000	19 888	48 443	18 208
7 Sugar	28 200	18 289	12 000	64 234
8 Aircraft & Parts	38 100	18 282	24 204	48 248
9 Petroleum Oil and Gas	8 100	18 702	27 813	30 077
10 Asbestos	12 400	18 822	13 870	23 312

Source: Statistics Canada, Merchandise Trade Statistics

July 1991

CANADA-MEXICO MERCHANDISE TRADE EXPORTS

January to March, 1992
(\$C millions)

EXPORTS TO MEXICO	ANNUAL 1990	ANNUAL 1991	JAN-MAR 1991	JAN-MAR 1992
Motor Vehicle Parts (including Engine Parts)	82,100	153,461	19,968	32,871
Iron and Steel Products	67,700	46,281	8,639	25,127
Aircraft and Parts	39,100	18,583	125	20,780
Bituminous Coal	0	---	0	11,699
Telecoms, Related Equipment/Parts	51,400	23,048	1,567	7,348
Newsprint	15,900	34,489	632	6,889
Asbestos	13,400	15,989	2,591	5,455
Milk Powder	72,500	13,429	5,403	5,240
Sulphur	28,800	18,868	0	4,585
Rape or Colza Seeds	0	0	3,649	---
Meat	14,800	6,070	1,763	3,554
Cattle, Live	7,200	12,827	3,550	3,134
Wood Pulp	27,500	15,299	4,178	2,487
Articles of Rubber	5,900	3,768	467	1,963
Paper Products	11,000	18,888	3,632	911
Office/Data Processing Equipment	2,600	10,283	330	342
Pulses	5,700	0	0	14
Potash	2,000	2,427	---	---
Petroleum Oils	5,100	16,109	9,143	0
Wheat	<u>8,400</u>	<u>25,038</u>	<u>0</u>	<u>0</u>
SUBTOTAL	461,100	434,857	61,988	136,048
Others	<u>132,600</u>	<u>89,687</u>	<u>19,924</u>	<u>18,445</u>
TOTAL EXPORTS	<u>593,700</u>	<u>524,544</u>	<u>81,912</u>	<u>154,493</u>

GROWTH IN EXPORTS BETWEEN JANUARY AND MARCH 1991/92: 76%

Source: Statistics Canada, Based on Preliminary Merchandise Trade Statistics
July 1992

CANADA-MEXICO MERCHANDISE TRADE EXPORTS

January to March 1982
(\$ million)

EXPORTS TO MEXICO	1982	1981	JANUARY 1982
Motor Vehicle Parts (excluding Engines)	82,700	102,421	18,988
Non-Ferrous Metal Products	47,900	48,281	8,459
Trucks and Parts	32,100	18,253	736
Automotive Glass	0	0	0
Technical, Precision Equipment	21,400	23,048	7,687
Newspaper	18,800	24,482	532
Asbestos	13,400	12,989	2,681
Milk Powder	12,500	12,428	2,400
Graphite	22,800	12,688	0
Paper or Cloth Goods	0	0	2,649
Wool	14,800	6,070	1,763
Tanned Hides	7,200	12,237	3,880
Wool Yarn	27,800	12,199	4,178
Articles of Rubber	8,900	2,788	487
Other Products	11,000	18,853	2,632
Other Data Processing Equipment	2,800	10,123	330
Rubber	2,100	0	0
Potash	1,000	2,422	0
Transformer Oil	2,100	18,709	9,143
Wheat	1,800	28,038	0
SUBTOTAL	481,700	434,227	67,923
Other	122,600	32,281	18,224
TOTAL EXPORTS	604,300	466,508	86,147

GROWTH IN EXPORTS BETWEEN JANUARY AND MARCH 1982: 25%

Source: Statistics Canada, based on preliminary merchandise trade statistics July 1982

AGREEMENTS BETWEEN CANADA AND MEXICO

Memorandum of Understanding on Co-operative Labour Activities between the Department of Labour of the Government of Canada and the Secretariat of Labour and Social Welfare of the United Mexican States

This Memorandum of Understanding provides a framework for co-operative activities involving governments, labour and business on a wide range of labour-related matters. These activities will focus attention on issues of great importance to workers in both countries, while facilitating greater contact between Canadian and Mexican workers, unions, labour administrators and industry representatives. **Signed: May 1992**

Memorandum of Understanding on Co-operation in Telecommunications between the Department of Communications of the Government of Canada and the Secretariat of Communications and Transportation of the United Mexican States

This Memorandum of Understanding will establish the basis for discussions aimed at improving co-operation and understanding of technical requirements; increasing co-operation in research and development; gaining support in multilateral forums; developing and improving telecommunications satellite technology between the two nations; co-ordinating frequency usage; and discussing the exchanges of experts. **Signed: April 1992**

Canada/Mexico Double Taxation Agreement

The Double Taxation Agreement is a bilateral treaty designed to ensure that income from dividends, interest and royalties is taxed by mutual agreement at an acceptable rate; to eliminate double taxation through foreign tax credits; to provide a government to government tax dispute resolution system; and to facilitate the exchange of information on tax evasion.

This Agreement will facilitate international trade and investment. It is the first Double Taxation Agreement that Mexico has signed with another country. **Signed: April 1991**

Film and Television Co-Production Agreement

The general aim of the Canada-Mexico film and television co-production agreement is to broaden financing and production opportunities for the film and television industries of both countries. The Agreement will assist co-production projects approved under the Agreement by reducing risks through the pooling of creative, technical and financial resources. Canada and Mexico view co-productions as a means to expand financial and market opportunities and to contribute to the ongoing development of their respective film and television industries, through enhanced opportunities in production and distribution and for cost-recovery. **Signed: April 1991**

Memorandum of Understanding (MOU) between the Canadian Export Development Corporation (EDC) and Petroleos Mexicanos (PEMEX)

The EDC's US\$500-million Memorandum of Understanding with PEMEX, Mexico's national oil agency, confirms the interest of both parties to establish a line of credit to promote the sale of Canadian goods and services to PEMEX for implementation of its significant development plans over the next five years. EDC has maintained a US\$10-million line of credit with PEMEX since 1985, but this new line is designed to accommodate the expected increase in Canadian participation in this key sector of the Mexican economy. **Signed: April 1991**

Memorandum of Understanding between the Canadian Export Development Corporation and the Mexican Secretariat of Finance

This Memorandum of Understanding covers Mexican guarantees for EDC loans to their commercial banks in that country that are to be privatized. It will assist Canadians pursuing opportunities in Mexico by ensuring that competitive financing arrangements are available to their potential Mexican buyers. **Signed: April 1991**

Memorandum of Understanding between the Government of Canada and the United Mexican States regarding a Framework for Trade and Investment Consultations

This Memorandum of Understanding will facilitate discussions between Canada and Mexico on the key features of bilateral trade and investment flows. Working Groups to be established under its provisions will examine specific issues and product

areas where increased trade is possible. These include automotive, agriculture, food, fisheries, mining, telecommunications, forestry, energy, transportation, petrochemical and electrical products. The MOU also establishes a dispute settlement mechanism, consistent with GATT provisions, to resolve any bilateral trade irritants. **Signed: March 1990**

Memorandum of Understanding between the Government of Canada and the Government of the United Mexican States on Co-operation in Combatting Narcotics Trafficking and Drug Dependency

This Memorandum of Understanding identifies a number of fields of co-operation, including assessment of drug abuse, treatment of abusers, identification of persons involved in trafficking, movement of drugs, law enforcement training, development of measures to ensure chemicals and other items are not diverted into drug production, and substitution of unlawful cultivation of narcotics with legal crops. Officials will meet every two years to review co-operation and develop further MOUs in specific subject areas. **Signed: March 1990**

Treaty between Canada and the United Mexican States on Mutual Legal Assistance in Criminal Matters

Together with the new Extradition Treaty, this Treaty will enhance Canada's ability to deal with international drug trafficking and money laundering. Assistance covers the areas of prevention, investigation and prosecution of offences or any other criminal proceedings arising from acts within the competence or jurisdiction of the party seeking such assistance. **Signed: March 1990**

Treaty of Extradition between Canada and the United Mexican States

The Extradition Treaty incorporates the modern "no list" approach (specific offences are not listed in the Treaty). It will replace the current treaty, which was concluded between Mexico and the United Kingdom in 1886 and is still in force for Canada. The new treaty sets out in detail requirements to ensure admissibility in Canadian courts of evidence submitted in support of extradition requests by Mexico and is consistent with treaties Canada has negotiated with other civil law countries. **Signed: March 1990**

Agreement between Canada and the United Mexican States regarding Mutual Assistance and Co-operation between their Customs Administration

A mutual assistance agreement in customs matters between Canada and Mexico would facilitate the exchange of information on enforcement matters and technical expertise, allow the exchange of personnel and encourage co-operation in additional areas of mutual benefit to the two parties. **Signed: March 1990**

Memorandum of Understanding on Forestry Co-operation between the Secretariat of Agriculture and Water Resources of the United Mexican States and the Department of Forestry of Canada

Under the proposed Memorandum of Understanding, five projects covering forest management, seed production, fire management, inventory and wood technology are listed. The MOU will assist Mexico in reaching the objectives of its Integrated Rural Development Program in Forestry, as well as facilitate commercial activity between the private sectors of both countries. **Signed: March 1990**

Agreement on Tourism Co-operation between the Government of Canada and the Government of the United Mexican States

At Mexican request, this modifies the existing agreement. It outlines how reciprocal tourism and cultural exchanges shall be promoted and calls for the facilitation of tourist travel, the exchange of statistical and other information, co-operation in training and research, and mutual support in the World Tourism Organization. **Signed: March 1990**

Agreement on Environmental Co-operation between the Government of Canada and the Government of the United Mexican States

The Agreement, to be administered by the Mexican and Canadian Environment Ministries, provides a facilitative framework for expanding bilateral environmental co-operation, pursuant to which specific projects in a wide range of areas may be negotiated. Co-operation may be in the form of information, technical or personnel exchanges and may also provide commercial opportunities. **Signed: March 1990**

Arrangement on Agricultural and Livestock Co-operation between the Department of Agriculture Canada and the Secretariat of Agriculture and Water Resources of the United Mexican States

Amending the MOU on Agricultural Co-operation signed on June 20, 1980, the parties agree to establish a Joint Canada/Mexico Secretariat to serve as a forum for the exchange of information, for consultation and for the implementation of specific projects. **Signed: March 1990**

Convention between Canada and the United Mexican States for the Exchange of Information with Respect to Taxes

This is a limited tax treaty which covers the exchange of information between Canadian and Mexican tax collection authorities, and is the first such agreement negotiated by Canada outside a Double Taxation Agreement (DTA). The main objective is to curb fiscal evasion and fraud. Mexico will negotiate a DTA as soon as domestic legislative obstacles have been removed. **Signed: March 1990**

August 1992

CANADA-U.S. TRADE RELATIONS

Canada and the United States are partners in the largest bilateral trading relationship in the world.

Total two-way merchandise trade (balance of payments basis) was \$202.4 billion in 1991. In this period, Canada exported goods worth \$107.6 billion to the United States and imported U.S. goods worth \$93.7 billion, giving Canada a surplus on goods transactions of \$13.9 billion. The United States is the only country with which Canada has a significant trade surplus.

Non-merchandise trade, including tourism, services, investment income and transfers, represents over 20 per cent of bilateral trade. Canada has historically run a deficit with the United States in these areas.

Canada is by far the largest single customer for U.S. sales abroad, purchasing 21 per cent of all U.S. exports. Canada buys more U.S. products than do Germany, the U.K., France and Italy combined. Ontario buys more U.S. goods than all of Japan. According to the U.S. Department of Commerce, Canadian imports of U.S. goods maintain over two million manufacturing jobs in the United States. At the same time, the United States is also Canada's largest customer, absorbing 76 per cent of our exports.

The United States is the largest foreign investor in Canada. It accounts for about \$79 billion or almost 62 per cent of foreign direct investment in Canada. A major source of this investment is reinvested earnings of U.S. multinationals based in Canada.

But as our trade and investment relationship has grown, the complexion of our exports has changed. Since 1988, Canada has expanded exports of end-products substantially, totalling \$53 billion in 1991. Sectors where exports to the United States have expanded include aerospace, electrical machinery, transportation equipment and specialty chemicals.

The production processes of both countries are closely linked, and goods pass back and forth across the border in various stages of assembly. This is especially true for autos and auto parts, which account for a large part of exports and imports.

The U.S. market is also vitally important to Canadian manufacturers in a number of sectors. In agri-food, for example, the U.S. market represented 41 per cent of Canadian exports, or \$4.6 billion in 1991. Canadian manufacturers of office furniture

and equipment also sold \$1.2 billion worth of goods in the United States last year. Other Canadian exports include telecommunications equipment, newsprint and other forest products, crude petroleum and natural gas.

**The Canada-U.S. Free Trade Agreement:
Strengthening the largest trading relationship in the world**

Since 1989, the Canada-U.S. Free Trade Agreement (FTA) has been facilitating the flow of goods and services across the border. Based upon the principle of trade liberalization, the FTA greatly expanded opportunities for both countries to increase their volumes of trade, create jobs and encourage investment.

The FTA is the largest bilateral trade agreement ever concluded. It covers more trade and more trade-related issues than any other such trade agreement. The FTA provides for liberalization of trade in most sectors of the economies of both countries, and it also includes binding commitments on trade in services, business travel and investment.

While the FTA already offers gradually improving market access through annual tariff reductions, many firms are confident they can compete, and they don't want to wait. That is why Canada and the United States negotiated two rounds of accelerated tariff reductions, the first in 1990 covering 400 items and \$6 billion in two-way trade, the second in July 1991 covering an additional 250 items and \$2 billion in trade. The two governments are now negotiating a third round.

The FTA also makes business travel easier. Before the FTA, entrepreneurs were frustrated in their attempts to service customers across the border. Since its implementation, the temporary entry clause of the FTA has operated smoothly under the direction of the two immigration services. The provisions continue to be expanded and refined. To date, 61 professions enjoy easier access to the U.S. market to sell goods and services and supply after-sales services to customers.

Placing the world's largest bilateral trading relationship on a rules-based footing has been one of the most significant results of the FTA. The dispute settlement mechanisms of the FTA offer both countries protection against arbitrary application of each other's trade laws. Over the past three years, Canadian companies have been using these provisions of the FTA quite successfully. Despite the existence of some trade disputes, however, virtually all of Canada-U.S. trade is dispute free. This is all the more remarkable, given the size of the Canada-U.S. trade relationship.

After more than three years in operation, the FTA has more than proven its worth in other ways. Since 1989, foreign investors have shown a significant interest in

Canada, as reflected in the sharp increase in direct investment activity. In the first three years of the FTA, net investment flows to Canada totalled \$15.1 billion, or an average of \$5.0 billion per year. In comparison, during the three years preceding the FTA, cumulative investment flows to Canada totalled \$10.5 billion, or \$3.5 billion per year.

Exports to the United States also grew substantially during the first three years of the FTA, reaching a cumulative total of \$323.7 billion. Over the previous three years, the total was \$292.5 billion. In effect, during the first three years of FTA implementation, merchandise export trade grew by more than 10.7 per cent. In the first quarter of 1992, Canadian exports to the United States and to the world reached all-time highs.

The FTA, the multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade, and now the North American Free Trade Agreement, all form a single policy framework that reflects the steady liberalization of world trade. That framework creates the basis for Canadian industries to become more competitive throughout North America and in foreign markets.

August 1992

UNITED STATES FACT SHEET

BASIC DATA:

	1990	1991
Real GDP growth (%):	1.0	-0.7
GDP (US\$ billions):	5,514	5,674
Inflation rate (%):	5.4	4.2
Population (millions):	250.0	250.9
Exports (US\$ billions):	388.7	416.0
Imports (US\$ billions):	497.6	489.4

MAIN DESTINATIONS OF EXPORTS 1991:

	% of total
Canada	20.4
Japan	11.3
Mexico	7.9
U.K.	5.2
Germany	5.1
South Korea	3.7
EC	24.5

MAIN ORIGINS OF IMPORTS 1991:

	% of total
Canada	19.0
Japan	18.7
Mexico	6.4
Germany	5.4
Taiwan	4.7
U.K.	3.8
EC	17.7

PRINCIPAL STATES IMPORTING FROM

CANADA: (C\$ billions)	1990	1991
Michigan	31.5	29.9
New York	10.2	11.3
Illinois	5.4	5.3
California	5.3	5.0
Ohio	4.6	4.4
Washington	3.2	4.4
Pennsylvania	4.4	3.9
Texas	2.7	3.0
Massachusetts	3.3	3.0
New Jersey	3.0	2.7

PRINCIPAL EXPORTS 1991:

	(US\$ billions)
Machinery and transport equipment	206.2
Other manufactured goods	70.2
Industrial supplies and materials	109.2
Food, drink, etc.	35.8

PRINCIPAL IMPORTS 1991:

	(US\$ billions)
Machinery and transport equipment	206.2
Other manufactured goods	124.0
Industrial supplies and materials	131.4
Food, drink, etc.	26.5

COMPONENTS OF GDP 1991:

	% of total
Private consumption	68.6
Federal expenditure	7.8
State and local expenditure	11.3
Non-residential investment	9.7
Residential investment	3.4
Exports of goods and services	10.4
Imports of goods and services	-11.0

PRINCIPAL STATES EXPORTING TO CANADA:

(C\$ billions)	1990	1991
Michigan	16.1	16.0
New York	7.6	7.1
California	6.6	7.0
Illinois	6.0	5.8
Texas	3.7	3.9
Pennsylvania	3.8	3.6
New Jersey	2.6	2.9
Indiana	2.8	2.8
Massachusetts	2.4	2.8
Wisconsin	2.5	2.1

Sources: The Economist Intelligence Unit, *U.S.A. Country Report*, No. 2, 1992;
 Statistics Canada, *Merchandise Trade Statistics*.
 U.S. Department of Commerce, June 1, 1992

July 1992

UNITED STATES FACT SHEET

BASIC DATA:

Real GDP growth (%)
 GDP (US\$ billion)
 Inflation rate (%)
 Population (million)
 Exports (US\$ billion)
 Imports (US\$ billion)

1990 1991
 1.0 0.7
 8,514 8,578
 2.4 4.2
 280.0 280.0
 285.7 418.0
 481.6 488.4

MAIN DESTINATIONS OF EXPORTS 1991:

Canada
 Japan
 Mexico
 U.K.
 Germany
 South Korea
 EC

% of total
 20.4
 17.2
 1.8
 2.2
 2.1
 2.7
 24.2

PRINCIPAL EXPORTS 1991:

Machinery and transport equipment
 Other manufactured goods
 Industrial supplies and materials
 Food, drink, etc.

(US\$ billion)
 300.2
 10.2
 108.2
 23.8

PRINCIPAL EXPORTS 1991:

Machinery and transport equipment
 Other manufactured goods
 Industrial supplies and materials
 Food, drink, etc.

(US\$ billion)
 300.2
 124.8
 131.8
 28.2

MAIN ORIGINS OF IMPORTS 1991:

Canada
 Japan
 Mexico
 Germany
 Taiwan
 U.K.
 EC

% of total
 19.9
 18.7
 2.5
 2.4
 4.1
 2.2
 17.7

COMPONENTS OF GDP 1991:

Private consumption
 Federal expenditure
 State and local expenditure
 Non-residential investment
 Residential investment
 Exports of goods and services
 Imports of goods and services

% of total
 68.8
 7.8
 11.8
 8.7
 3.4
 10.4
 -17.0

PRINCIPAL STATES IMPORTING FROM CANADA: (US\$ billion)

Michigan
 New York
 Illinois
 California
 Ohio
 Washington
 Pennsylvania
 Texas
 Massachusetts
 New Jersey

1990 1991
 31.8 28.2
 10.7 11.2
 2.4 2.2
 2.5 2.0
 4.8 4.4
 2.2 4.4
 4.4 2.8
 2.7 2.0
 2.2 2.7

PRINCIPAL STATES EXPORTING TO CANADA: (US\$ billion)

Michigan
 New York
 California
 Illinois
 Texas
 Pennsylvania
 New Jersey
 Indiana
 Massachusetts
 Wisconsin

1990 1991
 18.4 18.0
 7.8 7.1
 2.8 2.0
 2.0 2.2
 2.8 2.8
 2.8 2.8
 2.8 2.8
 2.8 2.8
 2.8 2.8
 2.8 2.8

The Economic Intelligence Unit, U.S.A. Country Report No. 1, 1992
 Statistics Canada, Merchandise Trade Summary
 U.S. Department of Commerce, June 1, 1992

CANADA-UNITED STATES EXPORT/IMPORT STATISTICS

(Balance of Payments Basis)

	<u>1989</u>	<u>1990</u> (C\$ billions)	<u>1991</u>
EXPORTS	105.7	110.5	107.6
IMPORTS	94.0	93.7	93.7
BALANCE	11.7	16.8	13.9

MAIN CANADIAN EXPORTS TO THE U.S. (C\$ millions)

	1990	1991
1. Passenger Auto and Chassis	16,236	16,438
2. Trucks, Truck Tractors and Chassis	7,501	7,088
3. Motor Vehicle Parts except Engines	7,558	6,533
4. Crude Petroleum	5,474	5,974
5. Newsprint	5,483	5,165
6. Telecommunications and Related Equipment	3,832	4,185
7. Natural Gas	3,267	3,511
8. Softwood Lumber	3,158	3,055
9. Petroleum and Coal Products	3,126	2,994
10. Wood Pulp	3,067	2,243

MAIN CANADIAN IMPORTS FROM THE U.S. (C\$ millions)

	1990	1991
1. Motor Vehicles and Parts except Engines	10,931	10,148
2. Passenger Automobiles and Chassis	6,886	6,988
3. Computers	4,059	4,330
4. Trucks, Truck Tractors and Chassis	2,279	2,463
5. Telecommunications and Related Equipment	2,866	2,320
6. Motor Vehicle Engines	1,934	2,018
7. Electronic Tubes and Semi-conductors	1,533	1,540
8. Plastic Material	1,341	1,394
9. Miscellaneous Equipment and Tools	1,255	1,344
10. Organic Chemicals	1,335	1,271

Source: Statistics Canada, Merchandise Trade Statistics

July 1992

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MAIN CANADIAN EXPORTS TO THE U.S. (C\$ million)
MAIN CANADIAN IMPORTS FROM THE U.S. (C\$ million)

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
1. Passenger Air and Crews	18,298	18,438	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	18,298	
2. Trucks, Tractor and Crawler	7,801	7,808	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801
3. Motor Vehicle Parts except Engines	7,801	7,808	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801	7,801
4. Crude Petroleum	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463
5. Newspaper	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320
6. Telecommunications and Related Equipment	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018	2,018
7. Natural Gas	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840
8. Softwood Lumber	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388	1,388
9. Petroleum and Coal Products	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344	1,344
10. Wool Fats	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231

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