

USTR NEWS

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**2007 NAFTA Commission Meeting
Vancouver, Canada – August 14, 2007**

Joint Statement

The Honourable David Emerson, Canada's Minister of International Trade; Eduardo Sojo, Mexico's Secretary of Economy; and Ambassador Susan C. Schwab, United States Trade Representative, are pleased to release the following Joint Statement, which outlines the overall results of the August 14th, 2007, meeting of the NAFTA Free Trade Commission (FTC), in Vancouver, Canada. The three Ministers noted that the work accomplished at this meeting would help lay the foundation for the upcoming North American Leaders Summit in Montebello from August 20-21, 2007.

The NAFTA – now in its 14th year – has been a remarkable success story for all three partners. It has contributed to significant increases in trade and investment flows between Canada, the United States and Mexico, and has contributed to economic growth and job creation throughout North America.

A strong, modern and flexible NAFTA is essential for the continent to maintain its competitive edge in an increasingly complex, fast-paced and connected global marketplace.

As the NAFTA concludes the complete elimination of duties within North America, we must look for new and creative ways of further promoting trade and new business opportunities. We must build upon our initial success, and continue to strengthen our regional competitiveness with a view not only of intra-NAFTA trade, but considering other regions as potential destinations for our exports and an important source of imports.

In keeping with our collective commitment to increasing market efficiencies, economic growth, prosperity and innovation in all three countries for the benefit of our citizens, we engaged in a constructive discussion of what we can do to achieve these goals. Thus, we have agreed to:

- develop a work plan to respond to the ever increasing pressures on North American competitiveness. The plan – which will address the key issues that impact our trade and identify the most effective means to facilitate it – will be presented for review at our next meeting so we can

develop a strong and competitive North American platform that increases the welfare and the prosperity of all our citizens;

- facilitate trade in specific sectors in order to foster stronger more competitive North American value chains. To this end, we have instructed officials to move ahead on the following sectors: swine, steel, consumer electronics, and chemicals. We also tasked our officials to identify a second set of sectors. We look forward to receiving progress reports on the first set of sectors, as well as reviewing work plans for the second set of sectors, at our next FTC meeting; and
- conduct an analysis of the free trade agreements that each country has negotiated subsequent to the NAFTA, beginning with those in the western hemisphere. This work will focus on identifying specific, meaningful differences between agreements, especially those related to trade facilitation and transparency.

In 2006, we also instructed our officials to review the mandates of the NAFTA working groups and committees. Armed with this analysis, the working groups must identify potential improvements and ensure that the NAFTA work programs reflect current realities and challenges, including work that is taking place in parallel initiatives. We have directed officials to examine how this work can be used to support the new sectoral initiatives and other initiatives discussed today, including the review of FTAs.

We also reaffirmed our commitment to cooperate in other regional and global fora:

* We are committed to multilateral trade liberalization and to successfully concluding the WTO Doha Round of negotiations. We urge all WTO Members to demonstrate renewed energy and flexibility in the negotiations based on the Chairs' texts in agriculture and non-agricultural market access, and put the Doha Development Agenda on a path toward a balanced and ambitious overall outcome that results in meaningful improvements in global trading conditions.

* At the same time, we reaffirm our commitments undertaken at our last meeting of APEC Ministers Responsible for Trade, held in July 2007 in Cairns, Australia. To this end, we reiterated our commitment to examine the prospect of a Free Trade Area of the Asia-Pacific (FTAAP).

We are also pleased with significant progress on rules of origin. In 2003, the NAFTA Working Group on Rules of Origin set out to liberalize the requirements for obtaining NAFTA duty-free treatment.

- The first set of changes – affecting approximately US 20 billion in annual trilateral trade – was implemented in 2005.
- A second set of changes – affecting an estimated US 15 billion in trilateral trade – was implemented in 2006.
- We have now agreed to a third set of changes – affecting an estimated US 100 billion in trilateral trade. These changes will be implemented in 2008.

These efforts confirm NAFTA's ability to adapt to ever-changing competitive conditions including new sourcing patterns and production methods. In this context, we asked the Working Group on Rules of Origin to continue its work to pursue further liberalization opportunities.

We also commend our officials for having completed the technical rectifications to align the NAFTA rules of origin with the Parties' updated tariff schedules resulting from the World Customs Organization's amendments to the nomenclature of the Harmonized Commodity Description and Coding System that came into force on January 1, 2007. We are pleased to note that the NAFTA Working Group on Rules of Origin will soon consult with officials from Chile to share experiences with issues of common interest.

We recognize the concept of cumulation of origin as an important mechanism for creating new business opportunities by strengthening the competitiveness of North American products globally. The Commission intends to instruct the Working Group on Rules of Origin to study further appropriate opportunities for cumulation.

We take note of the agreement reached by the Chapter 19 Operation Working Group on proposed amendments to the NAFTA Chapter 19 Rules of Procedure. We commend the Working Group for its efforts to improve the functioning of Chapter 19 panels. We refer the proposals developed by the Working Group to the State Parties to complete any internal review procedures, with a view to having the Commission adopt an agreed package of amendments to the Rules of Procedure by November 15, 2007.

We are pleased to accept the Mutual Recognition Agreement that has been signed by the architecture professions of Canada, Mexico and the United States. We hereby encourage our respective competent authorities to implement it in a manner consistent with the NAFTA. This agreement will facilitate the recognition of credentials within the three NAFTA countries. By facilitating the cross-border trade in services, this type of agreement contributes to achieving the objectives of NAFTA, and we encourage other bodies of professionals to complete the agreements that are being negotiated to develop mutually acceptable standards and criteria for licensing and certification of professional service providers.

We agreed that regional cooperation has provided significant benefits for economic growth and job-creation in each of our countries. We further agreed to pursue opportunities, wherever practical, to promote further cooperation for the benefit of our producers and consumers. Finally, we agreed that the United States will host the next NAFTA Commission meeting, at the Ministerial level, in 2008.

ANNEX

THE NAFTA SECTORAL APPROACH

The global business and trade environment is becoming increasingly complex and competitive, fuelled by rapidly changing patterns of global value chains, the rise of new economic powers, the intense pursuit of bilateral liberalization agendas and new security dynamics.

For Canada, the United States and Mexico, the North American Free Trade Agreement (NAFTA) is an important component of our economic success and prosperity. As such, it provides the primary platform for our countries to compete in the global context.

To stay competitive, our three countries must continue working together to build on NAFTA's success by harnessing the region's strengths, bringing down any remaining trade barriers and ensuring that our business sectors have the freedom, tools and market access they need to compete, in a co-ordinated fashion, in the global context.

At the March 2006 NAFTA Commission meeting, Ministers committed to continue building a more competitive North American business platform that will ease the flow of goods, services, and capital between the three NAFTA countries in key sectors.

Today, NAFTA Ministers approved focused sectoral work in four sectors: swine/hogs, steel, consumer electronics, and chemicals.

SWINE

Despite the high degree of co-operation and cross-border trade in this sector, some market access issues remain among the three NAFTA countries, which can increase costs for producers and consumers alike. These include potential border delays, regulatory differences and competitive pressures from emerging players in the North American market.

To help North America's swine sector compete more effectively, NAFTA Ministers agreed to work co-operatively to lower barriers to trade in swine. This includes developing coordinated approaches to standards, regulations and performance objectives, preventing border delays and sharing research. Ministers also agreed to explore the possibility of developing protocols to ensure a predictable, co-ordinated response within North America in the event of an outbreak of swine-related diseases.

STEEL

The North American steel market is highly integrated, and the industry in all three NAFTA countries share common interests and concerns.

Through the work of the North American Steel Trade Committee, NAFTA partners are undertaking a comprehensive analysis of trade barriers in this industry. Once the analysis is complete, partners will make recommendations -- including in the areas of country-of-origin and permit requirements -- that will make North America's steel industry more competitive.

CONSUMER ELECTRONICS

Rapid and dramatic technological advances over the years have created a huge global market for consumer electronics. These advances have also led to increased, low-cost competition and a shortened product lifespan that finds older products ending up in landfills more rapidly. NAFTA Ministers agreed to work together to lower trade barriers to ensure that this industry has the tools and market access it needs to succeed in all three countries. Ministers also agreed to work with the trilateral Commission of Environmental Co-operation to explore ways to address the environmental impacts of the lifespan and disposal of consumer electronics.

CHEMICALS

The chemicals industry is a large and important industry to all three NAFTA partners, providing jobs, consumer products and inputs for a wide range of sectors, including the medical, automotive, textile, electronics, construction and food industries. NAFTA Ministers have agreed to review recommendations provided to the three governments to facilitate trade in this sector – including customs and rules-of-origin requirements and how to make this industry more competitive and cost-effective in the global context.

To promote safety and environmentally friendly standards, Ministers also agreed to explore work that will assist current efforts towards common standards and requirements for the labelling and transportation of hazardous chemicals.

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