Canadian apparel manufacturers whose exports are subject to the most-favoured-nation (MFN) rate because they do not meet the Agreement's rules of origin will continue to benefit from duty drawback provisions — under which duties on imported fabric are refunded on export — for an indefinite period under the Agreement. Under another provision, both countries have agreed to move toward harmonizing their regulations in such areas as flammability and labelling.

Since the announcement of the Agreement, extensive consultations have taken place between the Government and the two industries with a view to seeking solutions to the problems facing firms in these sectors and strengthening the competitive positions of the two industries in both domestic and foreign markets. The long-standing problems associated with these industries, primarily due to significant import penetration and high levels of tariff protection, required an imaginative approach which recognized that the key to the future was fundamental improvements in their ability to compete. The Agreement served to bring these issues to the point where solutions to high input costs of textile and apparel firms had to be found and firms encouraged to restructure their operations in order to become more efficient and competitive.

On March 22, 1988, the Honourable Michael Wilson, Minister of Finance, announced a three-part program of tariff relief measures designed to achieve these objectives. The program included immediate tariff reductions on specialty fabrics, new duty remission programs and a plan to reduce textile tariffs in the future to levels comparable with those in other countries. When fully implemented, these measures will not only help firms in the affected sectors but ultimately will see Canadian workers and consumers as the main beneficiaries. Mr. Wilson noted that "in order to ensure that Canadian companies which use significant amounts of textiles can compete on an even footing with companies based in other countries, the Government proposes to reduce Canada's textile tariffs over the next ten years to levels comparable with those of other industrialized countries." The new Canadian International Trade Tribunal, to be formed later this year, will be asked to recommend how Canada's textile tariffs can best be brought into line with those of other industrialized countries.

Food Products

The Agreement is important for agriculture and food products, particularly in the currently undisciplined world trading environment for agricultural products. The United States is Canada's major export market and is a primary key to the future growth of Canada's agricultural and food industries. All agricultural tariffs are to be progressively eliminated, most over 10 years. There is a special provision for fresh fruits and vegetables for the next 20 years, which would allow special temporary import measures to protect Canadian producers against abnormally low import prices.